

RESOURCE CONFLICTS

Emerging Struggles over Strategic Commodities in Latin America

Maiah Jaskoski, Ph.D.
Naval Postgraduate School

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Maiah Jaskoski, Ph.D.

Assistant Professor, Naval Postgraduate School

April 2011

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For further information, please contact:

The Center on Contemporary Conflict

Naval Postgraduate School
1411 Cunningham Road
Monterey, CA 93943

ccc@nps.edu

or

OSRDInfo@dtra.mil

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EXECUTIVE SUMMARY

In recent decades, social conflict surrounding the extractive industries has escalated in Bolivia, Ecuador, and Peru. Groups organize against and protest the environmental and social effects of hydrocarbons and mining extraction, the degree to which the state captures royalties from the private companies involved in production and transport, and how those royalties are distributed. Resource conflict has paralyzed the industries, triggered increased state control over these sectors, heightened antagonism between resource-rich regions and the central government, and led to the early removal of sitting presidents. In spite of the salience of resource conflict in the Central Andes, there is a dearth of research on the interaction among social, private, and state actors in these conflicts.

Understanding conflict surrounding hydrocarbons and mineral extraction in the Central Andes is important for U.S. interests in resource production, U.S. influence in the region vis-à-vis other world powers, and U.S. antinarcotics and counterterrorism objectives. This report sheds light on these issues both by analyzing prior and existing conflict over hydrocarbons and minerals and, through that analysis, by providing a foundation for understanding future dynamics surrounding the region's uranium and lithium. First, resource conflict in the region interferes with production, with adverse implications for U.S. economic and security interests. The United States imports the region's hydrocarbons and hard-rock minerals, and U.S. private companies have been heavily invested in the sectors. Second, and perhaps more importantly, resource conflict and the state's role in managing conflict can influence the efficiency and success of U.S. security initiatives in the Central Andes, namely, counterterrorism and antinarcotics. Resource conflict often triggers political instability, which, in turn, can affect U.S. relations with Andean governments and the ability of the U.S. government to pursue its counterterrorism and antinarcotics efforts. Conflict can also divert U.S. antinarcotics and counterterrorism resources. Andean state security forces perform varied security roles, including security provision for the extractive industries, and thus U.S. investment in these forces for purposes of antinarcotics and counterterrorism may instead become channeled toward controlling resource conflict.

Third, the study has implications for U.S. power vis-à-vis other world powers in the Central Andes. Increasing relationships between Andean countries and Brazil, Canada, China, India, Russia, and Venezuela may be taking away from the geopolitical weight of the United States, and a study on resource conflict in the Central Andes is important for understanding and anticipating change in U.S. power in the region. As mentioned, conflict can destabilize politics and adversely affect U.S. foreign relations with the region's governments. Furthermore, when it comes to the critical commodities of lithium and uranium—both present in the region—the U.S. has a special interest in monitoring extraction and production.

This research focuses on dynamics at the sub-national level, where extraction takes place and where much conflict occurs over adverse social and environmental effects of extraction and over compensation for those effects. The report seeks to explain the following variation between the mining and hydrocarbons sectors: government energy and mining ministries have tended to play a central role in seeking to resolve mining conflict as a means of supporting production. In contrast, when it comes to hydrocarbons, significant conflict and resolution usually involve direct negotiations between companies

and social actors without a role for the central government. The report proposes that we focus on two factors to try to explain this variation: (1) the differing structural aspects of the sectors, specifically, the sprawling nature of hydrocarbon infrastructure and the more localized nature of mining projects; and (2) the involvement of national security forces to protect extraction—that is, whether the national police or the armed forces provide security.

INTRODUCTION

Since the 1990s, social conflict surrounding the extractive industries has escalated in Bolivia, Ecuador, and Peru. Groups mobilize against the environmental and social effects of hydrocarbons and mining extraction, the degree to which the state captures royalties from the private companies involved in production and transport, and how those royalties are distributed. Conflict has been so intense that it has paralyzed the industries, triggered increased state control over these sectors, heightened antagonism between resource-rich regions and the central government, and led to the early removal of sitting presidents. In Bolivia, protests over compensation in the natural gas sector have removed two presidents—one in 2003 and a second in 2005—and led to drastically increased national involvement in that sector in 2006. In Ecuador, one major wave of protests in August 2005 cost companies \$400 million and led to the cancellation of a major, ongoing contract with the private oil company Occidental.¹ As of 2007, 46 percent of all social conflicts in Peru were protests against foreign direct investment, “the most common type of social conflict” there.² In the summer of 2009, major protests in the east prevented additional exploration for oil in Peru’s Amazon (see below analysis on the Bagua case).³

In spite of the salience of resource conflict in the Central Andes, there is a dearth of research on the interaction among social, private, and state actors in these conflicts. This research focuses on dynamics at the sub-national level, where extraction takes place and where groups exert pressure on companies and the national government for (1) changed company practices, such as improved environmental protections or even the complete halting of extraction and/or (2) investment of industry revenue in the regions or specific zones of extraction, either through the distribution of royalties to local and regional governments or through direct company investment projects. Specifically, the report seeks to explain the differing roles the state plays when addressing sub-national conflict surrounding the two sectors. In the case of mining, energy and mining ministries have tended to play a central role in seeking to resolve conflict in support of production. In the hydrocarbon sector, however, significant conflict and resolution usually involve direct negotiations between social actors and companies without a role for the central government. The report suggests that there are two factors that can help to explain this variation: (1) the differing structural aspects of the sectors, specifically, the sprawling nature of hydrocarbon infrastructure and the more localized nature of mining projects; and (2) the involvement of national

¹ On the 2005 case in Ecuador, see Carla D’Nan Bass and Juan Forero, “Amid Tight Oil Markets, Protests Cut Back Output in Ecuador,” *New York Times*, August 24, 2005; Allyson Benton, “Political Institutions, Hydrocarbons Resources, and Economic Policy Divergence in Latin America,” Paper presented at the annual meeting of the American Political Science Association, Boston, MA, August 28–31, 2008; Gabriela Valdivia, “Governing Relations Between People and Things: Citizenship, Territory, and the Political Economy of Petroleum in Ecuador,” *Political Geography* 27, no. 4 (May 2008): 465.

² Moisés Arce, “The Repoliticization of Collective Action after Neoliberalism in Peru,” *Latin American Politics and Society* 50, no. 3 (Fall 2008): 42.

Of all cases involving conflict between populations and companies in the extractive industries from May 2004 through February 2007, 77 percent of those conflicts were over mining and 10 percent over hydrocarbons. See Defensoría del Pueblo, *Informe Extraordinario: Los Conflictos Socioambientales por Actividades Extractivas en el Perú* (Lima: Defensoría del Pueblo, 2007).

³ Anthony Bebbington, “The New Extraction: Rewriting the Political Ecology of the Andes?” *NACLA Report on the Americas* (September/October 2009): 12–20.

security forces to protect extraction (to support ongoing private security efforts)—that is, whether the national police or the armed forces are the primary providers of security.

The report is organized as follows. Part I establishes the relevance of sub-national conflict in the Central Andes surrounding the extractive industries—in particular, the question of state intervention in such conflict—for U.S. security interests. Part II provides background on the hydrocarbon and mining sectors and conflict surrounding those industries in the region. Part III summarizes expectations in the literature for what might explain varied state involvement in sub-national resource conflict and proposes a framework that potentially addresses shortcomings in the literature. Parts IV through VI analyze seventeen cases of mining and hydrocarbon conflict in Peru, Bolivia, and Ecuador, highlighting cross-sector variation.

I. RESOURCE CONFLICT IN THE CENTRAL ANDES AND U.S. SECURITY INTERESTS

Understanding conflict surrounding hydrocarbons and mineral extraction in the Central Andes is important for U.S. interests in resource production, U.S. influence in the region vis-à-vis other world powers, and U.S. antinarcotics and counterterrorism objectives. This report sheds light on these issues both by analyzing prior and existing conflict over hydrocarbons and minerals and, through the analysis, by providing a foundation for understanding future dynamics surrounding the region's uranium and lithium.

First, resource conflict in the Central Andes interferes with production, with adverse implications for U.S. economic and security interests. Not only does the United States import these strategic products from the region, but U.S. private companies have been heavily invested in the sectors, including ConocoPhillips in Ecuador, Newmont Mining in Peru, and Exxon Mobil in Bolivia.

Second, and perhaps more importantly, resource conflict and the state's role in managing conflict can influence the efficiency and success of U.S. security initiatives in the Central Andes, namely, counterterrorism and antinarcotics.⁴ Resource conflict often triggers political instability, which, in turn, can affect U.S. relations with Andean governments and the ability of the U.S. government to pursue its counterterrorism and antinarcotics efforts. For example, in Ecuador and Bolivia, conflict over extractive resources has contributed to the rise of left-leaning heads of state. This shift has weakened relations with the U.S. and thus the ability of U.S. security efforts in the region. Following Bolivia's 2003 and 2005 "gas wars" that prematurely ended the presidencies of Gonzalo Sánchez de Lozada (2002–03) and Carlos

⁴ Antinarcotics have been the main focus for the U.S. in Latin America and especially the Andes since the late 1980s. Counterterrorism was explicitly added as a focus in the Andes since September 11, 2001. For an overview of U.S. counterdrug and counterterrorism policies in the Andes, see Brian Loveman, ed., *Addicted to Failure: U.S. Security Policy in Latin America and the Andean Region*, (Lanham, MD: Rowman & Littlefield Publishers, Inc., 2006).

Mesa (2003–05), Evo Morales (2006–present) was elected president on a platform promising to nationalize the natural gas sector. In 2008 Morales suspended U.S.-funded antinarcotics operations.⁵ In Ecuador, left-leaning interim president Alfredo Palacio (2005–06) cancelled Occidental Oil’s contract amid massive protests. President Rafael Correa (2006–present) was elected on a campaign to renegotiate private hydrocarbon contracts. In office, Correa refused to renew the U.S.’s rights to Ecuador’s air force base in Manta, which had for a decade been used as a forward operating location by the U.S. military.⁶

Conflict can also interfere with U.S. antinarcotics and counterterrorism resources by diverting resources intended to support Latin American militaries and police forces in their antinarcotics and counterterrorism efforts. Andean state security forces perform varied security roles, including security provision for the extractive industries, and thus U.S. investment in these forces for purposes of antinarcotics and counterterrorism may instead become oriented toward controlling resource conflict. A study on the varied role of the state in resource conflict can identify the conditions under which different state security forces would provide security in different industries, therefore providing insight into which U.S. investments in the region’s security forces may be less efficient than others. A glance at the Ecuadorian case is telling. The Ecuadorian armed forces, especially the army, play a key role in controlling local and regional protests surrounding the oil sector. The army’s focus on oil security has meant that logistical support from the U.S. to the Ecuadorian armed forces intended for antinarcotics and border security in fact has been used for considerable oil security work.⁷ This case suggests that U.S. antinarcotics investments may be diluted by the Ecuadorian military’s oil role. The example also tells us that any future U.S. efforts to support oil production and/or political stability in Ecuador’s oil-rich northeast may most effectively be oriented toward the military, as opposed to the Ecuadorian police forces or the Ministry of Non-Renewable Resources.

Third, the study has implications for U.S. power vis-à-vis other world powers in the Central Andes. As observed by Anthony Bebbington, increasing relationships among Andean countries with China, Russia, Brazil, India, Venezuela, and Canada may be taking away from the geopolitical weight of the United States.⁸ On the left side of the political spectrum, Bolivia and Ecuador’s current governments may have “a certain predisposition to collaborate with state and private companies from Venezuela, Russia, Iran and others.”⁹ Nonetheless, pragmatism and not ideology seems to be at the root of international economic relations in the region. China has been increasingly important as an investor in the

⁵ Associated Press, “Bolivia Suspends U.S.-Backed Antidrug Efforts,” *New York Times*, November 1, 2008, http://www.nytimes.com/2008/11/02/world/americas/02bolivia.html?_r=1&ref=bolivia (accessed January 21, 2011).

⁶ Simon Romero, “Ecuador Leader Confounds Supporters and Detractors,” *New York Times*, October 9, 2010, <http://www.nytimes.com/2010/10/10/world/americas/10ecuador.html> (accessed January 21, 2011).

⁷ Maiah Jaskoski, “Mission Impossible? Military Politics in Peru and Ecuador,” PhD diss., University of California, Berkeley, 2008, ch. 8; Forthcoming, “Public Security Forces with Private Funding: Local Army Entrepreneurship in Peru and Ecuador,” *Latin American Research Review*.

⁸ “The New Extraction,” 20.

⁹ Anthony Bebbington and Denise H. Bebbington, “An Andean Avatar: Post-Neoliberal and Neoliberal Strategies for Promoting Extractive Industries,” *BWPI Working Paper* 117 (April 2010), University of Manchester Brooks World Poverty Institute, 10–11.

extractive industries in Bolivia and Ecuador,¹⁰ but also in Peru.¹¹ Within policy circles Brazil is considered a major power that balances U.S. influence in Latin America.¹² Specific to the extractive industries, the Brazilian Petrobras (hydrocarbons) and Vale (mining) are highly involved in the Central Andes.¹³ Another influential country in the region, Venezuela, also plays a critical role in natural resources in the Central Andes: the Venezuelan state hydrocarbon company, PDVSA, has invested in and provided technical expertise to Bolivia and Ecuador.¹⁴

In this setting, a study on resource conflict in the Central Andes is critical for understanding and anticipating change in U.S. power in the region. As mentioned above, conflict can destabilize politics and adversely affect U.S. foreign relations with the region's governments. Furthermore, when it comes to the critical commodities of lithium and uranium, the U.S. has a special interest in monitoring extraction and production, particularly when these projects are run by actors from competing governments. Uranium has been found in all three countries, and several different countries have interests in its production.¹⁵

In Peru, fifteen companies engage in uranium prospecting and exploration, and uranium testing is underway. In Ecuador, uranium exploration, research, and development are underway. Russia and Ecuador have signed a memorandum on civilian nuclear power cooperation. The contract is between Russia's public nuclear power corporation Rosatom and Ecuador's Ministry of Electricity and Renewable Energy. The contract includes research and development of uranium fields, and also building nuclear power plants and research on reactors.¹⁶

In Bolivia, uranium prospecting and exploration is headed by the Canadian company Mega Uranium-Intrepid Mines, which is currently prospecting for uranium-bearing minerals in Sevarhuyo, in the longstanding mining department of Oruro.¹⁷ In March 2009, the United Nations declared its interest in cooperating with Bolivia in uranium exploration and exploitation. At that point Bolivia's National Service of Geology and Mining (Sergeotecmin) had found eleven locations containing uranium in the Cotaje mine, on the border between Oruro and Potosí, another major mining department. The government's search for uranium in Potosí continued with intensity as of May 2010, according to Bolivia's mining

¹⁰ The Chinese company Eastern Petrobras was as of 2010 "set to operate" in the gas-rich region of the Gran Chaco, in the Tarija department in Bolivia (Bebbington, A. 2009).

¹¹ Bebbington, A. and D. H. Bebbington, "An Andean Avatar," 12.

For example, Peru's government signed a free trade agreement with China in March 2010. Of Peru's exports to China, 70 percent are minerals (Ibid., 13).

¹² William Mathis, "Brazil's Growing Pains," *Council on Hemispheric Affairs*, March 15, 2010, <http://www.coha.org/brazils-growing-pains/> (accessed March 5, 2011).

¹³ Bebbington, A. and D. H. Bebbington, "An Andean Avatar," 11–12.

¹⁴ Ibid., 12.

¹⁵ The following details on uranium in Bolivia, Ecuador, and Peru, are drawn from Wise Uranium Project, Web page, <http://www.wise-uranium.org/upsam.html> (accessed December 13, 2010). On U.S. interest in lithium, see U.S. Department of Energy, *Critical Materials Strategy*, December 2010, Washington, D.C., <http://www.energy.gov/news/documents/criticalmaterialsstrategy.pdf> (accessed February 16, 2011).

¹⁶ The U.N. International Atomic Energy Agency has committed to assisting with uranium exploration and research in Ecuador.

¹⁷ In Bolivia, as well as Peru, the department is the largest sub-national administrative unit.

ministry. In addition to the ongoing work by Intrepid Mines, other international actors have expressed interest in Bolivia's uranium, including, as of September 2010, Iran.¹⁸

In addition to uranium, another mineral critical to U.S. interests and present in the Central Andes, particularly in Bolivia, is lithium. Bolivia has 50 percent of the world supply of lithium. Foreign international companies as well as governments are eager to become involved in lithium production in Bolivia, including, for instance, the Japanese companies Mitsubishi and Sumitomo, the French electric vehicle company Balloré, and the South Korean, Brazilian, and Iranian governments.¹⁹ Not only is lithium extraction attracting considerable international attention, but there has already been sub-national conflict surrounding the mineral. In 1993 the U.S. Food Machinery Chemical Corporation (formerly Lithco), during the first serious international effort to extract Bolivian lithium, halted the project when communities mobilized (that is, organized and protested) against the project and amid a possible new tax on the company.²⁰ Currently, communities living in southwest Potosí, where the lithium salt flat (Salar de Uyuni) is located, worry about the effects extraction would have on agriculture and tourism, the two main thriving industries in the region.²¹

In sum, given the importance to U.S. interests of controlling conflict and/or monitoring the production of hydrocarbons and minerals in the Central Andes, it is critical to understand the nature of the state's role—or the lack thereof—in sub-national resource conflict. Only through such an analysis can the U.S. government know how best to direct its security assistance to the region and how to efficiently and effectively monitor such support.

II. HYDROCARBONS AND MINING IN THE CENTRAL ANDES: AN OVERVIEW

As background for the analysis to come, this discussion establishes just how important the extractive industries are politically and economically in Bolivia, Ecuador, and Peru, and reviews the types of compensation offered in an effort to control sub-national resource conflict.

¹⁸ United Press International, "China Sets Sights on South American Uranium Deposits," March 10, 2011, http://www.upi.com/Science_News/Resource-Wars/2011/03/10/China-sets-sights-on-S-American-uranium-deposits/UPI-56081299800964/ (accessed April 4, 2011).

¹⁹ Rebecca Hollender and Jim Shultz, "Bolivia and its Lithium: Can the 'Gold of the 21st Century' Help Lift a Nation out of Poverty?" *Special Report* (May 2010), Cochabamba: Democracy Center, 4, 22–24.

²⁰ *Ibid.*, 20.

²¹ *Ibid.*, 6, 45–46. Communities near the Salar have drawn direct lessons from the contamination experienced by communities in the vicinity of the San Cristobal Mine (analyzed below), located only one hour by car from the Salar (*Ibid.*, 44). Conflict also exists within Bolivia over the provincial boundaries in southwest Potosí, a dispute that has been ongoing since the 1950s and that, with lithium production on the horizon, has intensified with the expectation that lithium development will result in significant royalties for those living near the Salar (*Ibid.*, 21).

Reliance on Minerals and Hydrocarbons

It would be difficult to overstate the importance that hydrocarbons and mining hold for the Central Andean economies and political arenas. In the hydrocarbon sector, we see high and increasing levels of participation in all three countries. In Peru, between 2004 and 2008, hydrocarbon concessions expanded from covering 14 to 75 percent of Peru's large, eastern Amazonian region.²² In Ecuador, from the early 1970s to 2003, oil export revenue has on average constituted approximately 41 percent of the country's total exports, 14 percent of GDP, and 41 percent of the state budget.²³ Production "increased from 285,000 barrels per day in 1990 to 375,000 barrels in 1998."²⁴ Currently, expansion of the sector is planned to take place in approximately two-thirds of Ecuador's Amazon.²⁵ Bolivia is home to the largest natural gas reserves in Latin America,²⁶ and "55% of national territory is considered to be of potential hydrocarbon interest."²⁷ Total export earnings in 2007 from hydrocarbons totaled \$2.15 billion, constituting 47 percent of the government's total revenue.²⁸

In terms of mining, not only is the industry critical for Latin American economies, but the region is a global center for mining investment, and increasingly so. Latin America went from receiving about 12 percent to approximately one-third of global investment in mining between the early 1990s and 2007.²⁹ In Ecuador the explosion of large-scale mining is on the horizon, with a new (2010) mining law.³⁰ In Peru, mining makes up one-half of Peru's export revenue. Between 1990 and 1997, mineral exploration in Peru increased by two thousand percent.³¹ Mining in Bolivia is ongoing, and the single mineral that receives the most attention internationally today is lithium. Bolivia has one-half the world's lithium reserves, for which the Bolivian government and international actors have plans (see above).

Contested Territory in Regions of Extraction

Mining and hydrocarbon production takes place on territory that has been leased to companies for resource extraction that is often also claimed by indigenous peoples, which make up 60–70 percent of the

²² Anthony Bebbington, "Extractive Industries and Stunted States: Conflict, Responsibility and Institutional Change in the Andes," In *Corporate Social Responsibility: Comparative Critiques*, ed. K. Ravi Raman and Ronnie D. Lipschutz (New York: Palgrave Macmillan, 2010).

²³ Valdivia, "Governing Relations Between People and Things," 456–477.

²⁴ Tanya Korovkin, "In Search of Dialogue? Oil Companies and Indigenous Peoples of the Ecuadorean Amazon," *Canadian Journal of Development Studies* 23, no. 4 (2002): 641.

²⁵ Bebbington, A., "The New Extraction," 14.

²⁶ Argentina is second, with 30 percent less (Benton 2008, Table 2, referencing British Petroleum data).

²⁷ Bebbington, A., "The New Extraction," 14.

²⁸ *Economist Intelligence Unit*, Country Profile Select; Bolivia; Demographics and Resources: Natural Resources, June 17, 2008, *LexisNexis*, www.lexis.com (accessed March 4, 2011).

²⁹ Bebbington, A., "The New Extraction," 14.

Global investment in mineral exploration increased by 90 percent between 1990 and 1997, but in Latin America it grew by 400 percent (Bebbington, A., 2010).

³⁰ Bebbington, A., "The New Extraction," 18.

As of 2009, several large mining companies were exploring for copper in southeastern Ecuador. The Ecuadorian government estimates that the country's copper and gold reserves are worth \$220 billion (*Economist Intelligence Unit* 2009).

³¹ Bebbington, A., "Extractive Industries and Stunted States."

national population in of Bolivia, 30–38 percent in Ecuador, and 38–40 percent in Peru.³² Indigenous groups in the Andes have become highly mobilized politically in recent decades.³³

The individual country analyses will detail national policies regarding private investment in hydrocarbons and mining, but as general background, the trend in all three countries has been increased national control of the sectors beginning in the 1950s (in Bolivia’s mining sector) stretching into the 1990s, when neoliberal economic reform opened up the sectors considerably to private investment. Another shift began in the 2000s in Bolivia and Ecuador, when governments in the two countries took measures to increase national capture and control of the sectors. Despite this trend toward more state involvement, in all three countries resource exploration and production continue to depend heavily on private-sector participation.

The region’s increasingly mobilized indigenous people are heavily concentrated in resource-rich zones. For instance, Peru’s sixty-four hydrocarbon blocks include eleven blocks that overlap with protected areas, seventeen blocks that cross into land reserved for indigenous groups in voluntary isolation, and fifty-eight blocks that cross into lands belonging to indigenous peoples.³⁴ Mining concessions affect over one-half of peasant communities in Peru.³⁵ In Bolivia, there are ongoing tensions between the Morales administration and indigenous groups, due to the expansion of hydrocarbon activities in the northern Amazon basin.³⁶ Finally, in Ecuador, where oil companies have been active for decades throughout much of the indigenous-populated Amazon, the Correa administration has been coordinating with large-scale mining companies while excluding indigenous organizations and environmentalists, in an initiative to expand that sector. Overall, mining concessions affect approximately one-half of Ecuador’s largely indigenous, peasant communities.³⁷

Though residents in extraction zones do not enjoy subsoil rights—and therefore do not legally control the underground hydrocarbon or mineral resources—at least formally they do have a say in local extraction. For instance, in Bolivia a 2007 presidential decree gives indigenous and peasant communities the opportunity to participate in decisions surrounding resource extraction.³⁸ In Ecuador, contracts are by law “null and void” if communities affected by the environmental effects of oil extraction are not consulted appropriately.³⁹ In contrast to the Ecuadorian and Bolivian cases, in Peru “the rules governing

³² Deborah J. Yashar, *Contesting Citizenship in Latin America: The Rise of Indigenous Movements and the Postliberal Challenge* (New York: Cambridge University Press, 2005), 21.

³³ Peru has notably exhibited much less indigenous mobilizing than Bolivia or Ecuador. (Ibid.)

³⁴ Bebbington, A., “The New Extraction,” 14.

³⁵ Ibid., 15.

³⁶ Ibid., 14.

For instance, Petrobras and Petroandina have contracts to conduct exploration for gas in the Aguaragüe National Park, which is co-managed by a Guaraní indigenous organization in Tarija that considers it to be Guaraní territory (Ibid., 15).

³⁷ Ibid., 15, 18.

³⁸ Thomas Perreault, “Natural Gas, Indigenous Mobilization and the Bolivian State: Identities, Conflict and Cohesion,” *Programme Paper* 12 (July 2008), United Nations Research Institute for Social Development, 13–14.

³⁹ Kenny Bruno, “Ecuador Oil Ruling: Whose Victory?” *NACLA Report on the Americas* 36, no. 6 (May/June 2003).

the granting of concessions... do not give communities the right of free, prior and informed consent to decide whether mineral exploration and extraction should proceed beneath the lands that they own.”⁴⁰

Forms of Compensation to Residents

In this context of overlapping claims to the land and the adverse environmental and social effects of mineral and hydrocarbon extraction, what compensation is given to those living in the immediate zones and broader regions where the extraction takes place? There are two main categories of such spending at the sub-national level: (1) the distribution of royalties and taxes to sub-national governments, and (2) direct company investments in the form of gifts or development assistance.

In terms of royalties, in Peru and Bolivia a portion of royalties are directed to sub-national levels. According to Peru’s “canon” system, hydrocarbon- and mineral-rich regions, provinces, and municipalities receive 50 percent of the tax revenue from investments in the hydrocarbons and mining sectors.⁴¹ In Bolivia, oil-rich departments have since the 1940s received more than other departments, though the formula has been non-transparent and changes often.⁴² In contrast to the Peruvian and Bolivian cases, very little of the royalties generated by oil extraction in Ecuador are directed toward sub-national governments.⁴³

At the surface, this distribution of resources to the sub-national level would seem to reduce conflict by distributing resources to the regions most affected by extraction, but the outcome appears to be more complex. For instance, there is the basic question of whether or not the resources are being invested in those regions. In Bolivia, the complicated formula for distributing the hydrocarbon royalties and taxes has triggered conflict between the sub-national and national levels.⁴⁴ In addition, lack of local and regional capacity can mean that monies that do reach those levels are not in fact spent, causing residents in those regions to mobilize.⁴⁵ Finally, in both Bolivia and Peru there is evidence that, while such direct transfers of tax and royalty revenue may quell social conflict oriented toward companies, they may also

⁴⁰ Bebbington, A., “Extractive Industries and Stunted States.”

⁴¹ Kent Eaton, “Subnational Economic Nationalism: Peru in the Wake of Liberalization and Decentralization,” Paper delivered at the 2008 Annual Meeting of the American Political Science Association, August 28–31, 2008, 28–29.

⁴² For instance, as of 2010 the Bolivian department of Tarija produced more than 60 percent of the country’s natural gas and received 30 percent of Bolivia’s total royalties and direct hydrocarbons tax revenue (Bebbington, D. H. and A. Bebbington, “Anatomy of a Regional Conflict,” 147). The direct hydrocarbons tax, or IDH, was created following the gas wars and increased the government’s share of gas profits. The IDH rate was increased under Morales (Bebbington, D. H. and A. Bebbington, “Extraction, Territory, and Inequalities,” 269).

⁴³ Energy Sector Management Assistance Program, *Comparative Study on the Distribution of Oil Rents in Bolivia, Colombia, Ecuador, and Peru* (Washington, D.C.: World Bank, August 2005), ch. 4.

⁴⁴ In Tarija, “royalties were not always transferred on a regular basis and the Tarijeños had to turn to demonstrations and protests to force their release by the central government” (Bebbington, D. H. and A. Bebbington, “Anatomy of a Regional Conflict,” 146).

⁴⁵ For example, the gas-rich Bolivian department of Tarija has poor capacity to spend its budget that comes from gas revenue (Bebbington, D. H. and A. Bebbington, “Extraction, Territory, and Inequalities,” 269). Similarly, with regard to Peru’s revenue from the private natural gas project, Camisea, “most of the income remains in the urban centers; communities bearing the environmental and social costs receive very little” (World Wildlife Fund 2005, 2).

increase conflict between the sub-national and national levels and between sub-national entities, which can be politically destabilizing.⁴⁶

Alongside royalty distributions, companies also more directly take actions to compensate communities and thereby quell and preempt protest, though analysts have concluded that such compensation is minimal. In business circles, the programs are often considered part of “corporate social responsibility” or “sustainable business practice,”⁴⁷ according to which companies are increasingly expected—by communities and/or governments—to fill a void left by weak state presence in zones of extraction.⁴⁸ However, in practice what we generally observe are companies attempting to buy off communities with small gifts, rather than pursue projects that bring real development and compensation for environmental damage to regions of extraction. For example, in the Bolivian Enron/Chiquitano case analyzed below, only 4 percent of the first year’s income from the pipeline was directed toward indigenous groups.⁴⁹ Also in Bolivia, in the case of the Margarita gas fields and the Guaraní indigenous communities, the company’s (Repsol YPF) spending on “development” was less than 0.05 percent of total spending in the gas field.⁵⁰

However small-scale these investments are in terms of the size of the investment, they have at times succeeded in gaining local support for production, as will also become evident in the case studies. This success is understandable, given the highly asymmetrical power relations between companies and communities: “The size of the extractive enterprise, the resources at its disposal, its direct contacts with national and regional political authorities, and its privileged access to, and control of, information places it in a position of power in relation to other actors.”⁵¹

⁴⁶ Bebbington, A. and D. H. Bebbington, “An Andean Avatar,” 13. Eaton (2008, 29–30) emphasizes how neighboring municipalities, provinces, and regions can receive drastically different allocations—sometimes one neighbor receiving nothing—which can create sub-national conflicts.

⁴⁷ Titus Moser, “MNCs and Sustainable Business Practice: The Case of the Colombian and Peruvian Petroleum Industries,” *World Development* 29, no. 2 (2001): 291–309; Timothy D. Clark and Liisa North, “Mining and Oil in Latin America: Lessons from the Past, Issues for the Future,” In *Community Rights and Corporate Responsibility: Canadian Mining and Oil Companies in Latin America*, ed. Liisa North, Timothy D. Clark, and Viviana Patroni, (Toronto: Between the Lines, 2006), 8; Bebbington, A., “Extractive Industries and Stunted States.”

⁴⁸ Gavin Hilson, “An Overview of Land Use Conflicts in Mining Communities,” *Land Use Policy* 19, no. 1 (January 2002): 65–73; Gary McMahon and Felix Remy, eds., *Large Mines and the Community: Socioeconomic and Environmental Effects in Latin America, Canada, and Spain* (Washington, D.C.: World Bank, 2001).

⁴⁹ Jimmy Longman, “Enron’s Pipe Scheme,” *CorpWatch*, May 9, 2002, <http://www.corpwatch.org/article.php?id=2528&printsafe=1> (accessed December 22, 2010).

⁵⁰ Perreault, “Natural Gas, Indigenous Mobilization,” 11–12.

⁵¹ Denise H. Bebbington and Anthony Bebbington, “Extraction, Territory, and Inequalities: Gas in the Bolivian Chaco,” *Canadian Journal of Development Studies* 30, nos. 1–2 (2010): 263.

III. EXPLAINING STATE INVOLVEMENT IN SUB-NATIONAL RESOURCE CONFLICT

The country analyses below establish the following variation between the hydrocarbons and mining sectors in terms of how sub-national conflict in the Central Andes is handled. Hydrocarbon conflict dynamics are informal, in that they involve significant direct contact between companies and societal actors. Companies not only engage in negotiations with individuals and communities in the immediate point of extraction, but they also interact with groups that bring together larger populations in the broader region. In some cases these larger groups hold a significant degree of legitimacy within communities in the region, independent of company action—which is true of the Bolivian “originary communal lands” as shown below—whereas in other cases the groups have been largely coopted or even created by the oil companies themselves, common in Ecuador. In contrast to the hydrocarbons case, in the mining sector we observe a much greater, ongoing role for the state in sub-national resource conflict. Direct company-societal relations do exist but are generally limited to company contact with the most local actors, living at the mining site. Companies have tended to refuse to engage with broader groups mobilized around mining issues, a role instead played by the energy and mining ministry.

How do we explain this variation? There is growing interest in natural resource conflict in the Andes, due to the political and economic implications of growing social mobilization against governments and public and private companies operating in the extractive industries. Scholars have been increasingly interested in mobilization at the local and regional levels, in zones where resource extraction takes place. Specifically, they have sought to explain social mobilization and varied success of societal actors in achieving their desired outcome, from companies and/or the government.⁵² In spite of recent interest in sub-national resource conflict, there is a dearth of analysis of the reasons driving state involvement in the conflicts.

Nonetheless, we can extract from the literature hypotheses for explaining state participation. This part of the analysis will review hypotheses that emerge from the literature—organized according to their focus on social actors, companies, and the national energy and mining ministry itself. The analysis will subsequently identify their shortcomings for explaining cross-sector variation and outline an alternative framework to be explored in the next stage of this research.

Society-Centered Hypotheses

Prior work on resource conflict in the Andes suggests that the behavior of social actors could predict state intervention. Specifically, greater social opposition to the extraction project—e.g., due to communities’ organizational resources or the degree to which economic interests in the zone are

⁵² For the Ecuadorian case, both Fontaine (2007, 420) and Valdivia (2005) distinguish between communities more committed to some kind of traditional or authentic way of life, and that those communities resist altogether oil company presence/activity without negotiating. More broadly, much of the literature on resource conflict in fact focuses on the factors behind social mobilization, explaining different degrees of mobilization (e.g., Sawyer 2004, Echave et al. 2009, Perreault 2006).

threatened by resource extraction—might lead the national government to initiate dialogue and/or repress protesters in the interest of keeping business going. This hypothesis cannot fully explain variation in individual cases of conflict. Though in many conflicts the government did not enter onto the scene until negotiations broke down or protesters halted production, there is in fact significant sectoral variation: in hydrocarbon cases, negotiation and conflict between company and social actors generally reached considerably advanced stages before the central government entered onto the scene (if at all). In contrast, the government became involved much earlier on in mining conflict cases.

Related to the level of mobilization is the issue of demands made by social groups. It could be the case that the state simply intervenes in cases where company and societal demands are zero-sum—i.e., when protesters seek to prevent or halt production altogether. In contrast, other conflicts are not necessarily zero-sum, e.g., when protesters demand that companies introduce more effective environmental protections or compensate the region with development assistance. As will become apparent in the case studies, this hypothesis, too, falls short in explaining varied state involvement across the mining and hydrocarbon sectors. For instance, in the Las Bambas mining case in Peru, we will observe how the mining company Xstrata refused to negotiate with the organizations that brought together different actors in the broader zone, even though the goal of those organizations was not to eject the company. Rather, they sought to negotiate with Xstrata over questions of company practices and company investment in the region.

State-Centered Hypotheses

A second set of hypotheses focuses not on the actions of societal groups but, rather, on the independent interests and capacities of state actors. First, there is the question of government ideology: one might expect left-leaning presidents to be friendlier to indigenous and societal groups in regions of production, while right-leaning governments would be more accommodating to private company interests. However, as mentioned above, the leftist governments of Morales (Bolivia) and Correa (Ecuador), as well as the more right-wing Peruvian President Alan García (2006–present), have been highly supportive of private investment in and expansion of mining and hydrocarbons.

The three presidents have shown their support for private company interests by taking an explicitly hard-line position against protesters opposing resource extraction and/or the terms of extraction agreements. García has been quoted as complaining in 2007 that, “against oil [opposition groups] have created the image of the ‘non-contact’ jungle native,” and that “barely a tenth of [mineral] resources are being exploited because here we are still discussing whether mining destroys the environment.”⁵³ In 2007 with regard to protest against extraction, Correa said, “The ecologists are extortionists. It is not the communities that are protesting, just a small group of terrorists.... It is romantic environmentalists and those infantile leftists who want to destabilize government.”⁵⁴ In response to opposition against his 2009 mining law, which encouraged foreign investment and reduced the voice of local communities in mining

⁵³ Bebbington, A. and D. H. Bebbington, “An Andean Avatar,” 6.

⁵⁴ Ibid., 7.

zones (see Part VI), Correa “called those who oppose his mining law ‘childish,’ ‘nobodies,’ and ‘allies of the right.’”⁵⁵ Correa’s well-known initiative to obtain international investment in the Yasuní national park in the Amazon has been characterized as nothing more than an initiative to improve his image as caring about the environment. Critics have argued that he never intended for it to succeed, pointing to Correa’s rejection (in January 2010) of money offered by Germany, Spain, and other countries to contribute to the fund.⁵⁶ Morales, too, has outspokenly supported increased extraction, asking publicly in 2009, “What, then, is Bolivia going to live off if some NGOs say ‘Amazonia without oil’? ... They are saying, in other words, that the Bolivian people should not have money.”⁵⁷

Another hypothesis focused on state interests is that a region heavily reliant on ongoing production would receive more state involvement. However, the case studies rule out this hypothesis. For instance, in Peru, conflict and state involvement in mining cases occurred both in traditional mining departments and in departments new to mineral extraction. Similarly, in Ecuador considerable conflict and negotiation occurred between communities and oil companies without state intervention, both in oil blocks that have experienced decades of extraction and in oil blocks newer to production.

A final state-related hypothesis pertains to the question of state capacity. It may be that the overall lack of state presence and capacity in the Amazon relative to the mineral-rich highlands⁵⁸ means that the central government is more present in mining conflicts simply because it enjoys presence there. However, it appears that the nature of the energy and mining ministry is not related to the degree of state participation in sub-national conflict. For instance, in the Peruvian mining cases regional representatives of the mining ministry that would have permanent offices at the sub-national level are not in fact critical players. Rather, top ministerial officials tend to travel from the capital city of Lima directly to the conflict zone to engage in negotiations.

If state-centered factors do not explain cross-sector variation in state involvement in sub-national resource conflict, it could be due in important ways to the lack of independence of the state regulatory agency, a critical factor that justifies focusing on company-centered factors (explored below). That is, regulatory agencies that are largely controlled by companies would tend to intervene (only) at the behest of those companies, allowing for company interests, and not those of the state, to drive whether and to what extent the latter intervenes in conflicts.

Scholars have paid considerable attention to the lack of independence of regulators in all three countries. Regulatory agencies often have conflicting interests since they are also part of the energy and mining ministry, which is responsible for promoting resource extraction. In Bolivia, the Environmental

⁵⁵ Paul Dosh and Nicole Kligerman, “Correa vs. Social Movements: Showdown in Ecuador,” *NACLA Report on the Americas* (September/October 2009): 23.

⁵⁶ Bebbington, A. and D. H. Bebbington, “An Andean Avatar,” 7.

⁵⁷ *Ibid.*, 9.

⁵⁸ Yashar, *Contesting Citizenship in Latin America*.

Unit (UMA) is located within the Vice-Ministry of Energy and Hydrocarbons.⁵⁹ It is “tasked with regulating hydrocarbons development activities, and mitigating environmental and social impacts stemming from the liberalization of the hydrocarbons sector.”⁶⁰ The UMA was created as part of the World Bank-supported liberalization of Bolivia’s hydrocarbon sector, including creating relevant institutions to support privatization. Even the World Bank found the UMA ineffective in managing the social and environmental impacts of gas development in Bolivia. In Peru until 2007, it also fell on the energy and mining ministry to both promote and regulate mining and hydrocarbons activities.⁶¹ Finally, underfunded offices in Ecuador within the mining and energy ministry have been assigned to regulate resource extraction and production.⁶² With regard to oil field pollution in Ecuador, Judith Kimerling writes, “oil companies have ignored the laws and successive governments have failed to implement and enforce them.”⁶³

Company-Centered Hypotheses

The weakness of regulatory industries as independent actors suggests the need to look to a final actor, the companies and their interests, to help understand why the state would or would not intervene in natural resource conflict.

At the most basic level, we expect companies to want state intervention once they believe conflict resolution is beyond the scope and responsibility of the companies themselves. However, the literature offers contradictory predictions for how far companies will go in their efforts to resolve conflict. On the one hand, the literature predicts that companies will try to handle conflict at the local level and divide communities to stave off protest, avoiding negotiations with social actors at the “supra-communal” level—that is, in the broader zone of extraction, where actors may have more organizational resources and be less willing to accept company pay-offs.⁶⁴ Indeed, in many cases analyzed in this report, we observe companies seeking to make deals directly with communities in the most immediate zone of production without going through larger intermediaries.⁶⁵

⁵⁹ Information on regulation in Bolivia in this paragraph is drawn from Thomas Perreault, “From the Guerra del Agua to the Guerra del Gas: Resource Governance, Neoliberalism and Popular Protest in Bolivia,” *Antipode* 38, no. 1 (January 2006): 150–172.

⁶⁰ Ibid.

⁶¹ Bebbington, A., “Extractive Industries and Stunted States.”

⁶² Tobias Haller, et al., *Fossil Fuels, Oil Companies, and Indigenous Peoples: Strategies of Multinational Oil Companies, States, and Ethnic Minorities—Impact on Environment, Livelihoods, and Cultural Change* (Zürich: Lit Verlag GmbH & Co. KG Wien, 2007), 286.

⁶³ “Indigenous Peoples and the Oil Frontier in Amazonia: The Case of Ecuador, ChevronTexaco, and Aguinda v. Texaco,” *International Law and Politics* 38 (2006): 434.

Environmental experts in Ecuador’s energy and mining ministry often did not participate in negotiating oil contracts with companies, and the environmental division of the ministry relied on four full-time environmental experts and a budget of \$10,000 as of 1990 (Korovkin 2002, 647, referencing Kimerling and FCUNAIE 1993, 79–81).

⁶⁴ The term “supra-communal” was borrowed from Bebbington (1996, 1165) and Bebbington, A., D. H. Bebbington, and Bury (2010, 316).

⁶⁵ Indeed, a World Bank project indicates that private companies often interact with local communities to keep business going: “the company considers these [local] communities part of its area of strategic action. Interaction

In direct opposition to the view that companies will buy off local individuals and communities, however, is the expectation that companies should seek to achieve peace more efficiently and effectively by negotiating directly with supra-communal actors. Scholars have observed frustration on the part of companies that face “organizational factionalism” among local communities that makes it difficult to arrive at stable agreements and investment environments.⁶⁶ Therefore, it is not clear under what conditions companies will negotiate with the most local actors before asking the state to intervene (a strategy expected to lead to significant ongoing state intervention), and, in contrast, what factors would lead companies to seek out supra-communal negotiations with social actors, leading to less reliance on the state.

Industry Structure and State Security Forces

The following analysis of hydrocarbon and mining conflict cases suggest a general pattern: in the mining sector, companies seem willing to negotiate only with the most local actors in the mining site, whereas in hydrocarbons, they seem eager to arrive at direct agreements at the supra-communal level (while also at times engaging in local deals, in parallel).

One explanation for this cross-sector variation—a hypothesis to be explored in future research—rests on the varying structure of the two industries. Whereas pipelines connect wellheads and transport gas and oil through vast oil blocks, mining infrastructure may tend to be contained within the area of the mine itself. These realities could create different incentives for companies to interact with communities in and around the infrastructure. Mining companies seek to negotiate only with the most local individuals and communities, in the interest of cheaply clearing space to operate. The companies avoid interacting with organizations or movements in the broader region of extraction, where appeasing the larger, more organized actors would be expensive. The central government therefore fills the gap, intervening to quell that broader opposition.

In contrast to the case of mining, hydrocarbon infrastructure is sprawling, passing through many different communities. Due to this structural factor, companies’ incentive to efficiently negotiate a peaceful business setting overrides their drive to buy off individuals and communities with few material resources.

To complement this structural factor, another possible cause for the cross-sector variation lies in the type of security services available to companies in mineral- versus oil-rich regions. In addition to

with such communities was much more structured than with the other communities [in the broader region] targeted by the foundation” (Loayza et al. 2001, 72, referencing the Bolivian Inti Raymi case, analyzed below in Part V).

⁶⁶Korovkin, “In Search of Dialogue?” 639.

Similarly, Fontaine (2007, 413) has noted how in Ecuador’s northeast where Texaco operated, Occidental Exploration and Production Company (OEPC) sought a single, general agreement with the indigenous peoples in the zone so that the company could then conduct business more easily. For the case of Peruvian mining conflict, and in particular with regard to the Antamina conflict (discussed below), Echave et al. (2009, 113) note the tension between, on the one hand, companies’ desire for social fragmentation so as to avoid major organized protest, and, on the other hand, companies’ interest in efficient negotiations, which are challenging in the face of such fragmentation.

private security—used in both mining and hydrocarbons operations—the national police and armed forces also provide security in at least some cases. The author’s prior research suggests that there may be cross-sector variation regarding whether it is the military (especially the army) or the police that provides security. In Ecuador and Peru the armies have provided security for hydrocarbons companies on an ongoing basis.⁶⁷ Since Peru’s insurgent violence—which began in 1980 and peaked in the late 1980s and early 1990s—was largely resolved, the army’s security work near mines has largely dissipated.⁶⁸ Interviews with mining association executives and mining company employees in Peru in 2005 and 2006 suggest that, instead, mining security now has been left mainly to the private sector and the national police, which are hired to conduct security in the vicinity of the mine, particularly to dissuade and control protests.⁶⁹

More research is needed to more systematically identify the type of security provided by the national police as opposed to the armed forces, but at this point we can put forth some potential differences. The national police’s security services, which may be more prominent than military services near mining operations, are expected to be limited to actual operations to control protests or otherwise guard infrastructure. In contrast, military services available in the oil-rich Amazonian region may have an entrenched political role beyond any actual operations to control protest, a role that favors companies in the region and can control political and social forces on an ongoing basis.

This expectation for a broader role for the military is consistent with the observation in the literature that historically the armed forces have tended to give more attention to the Amazonian regions of the Central Andes relative to other state actors.⁷⁰ It also finds support in the author’s prior research in the region: army work for the oil sector in northeastern Ecuador has gone beyond confronting protesters and patrolling infrastructure. Army units have also encouraged and facilitated negotiations between companies and local groups by providing both venues and mediation services.⁷¹ Similarly, the Peruvian army’s relations with the private natural gas conglomerate Camisea have gone beyond strictly security deals to include company-financing of the army’s civic action (or “hearts and minds”) efforts.⁷² This demonstrates the broad, strong ties that exist between army units and the company, as well as the significant overall entrenchment of both actors in the region.⁷³

⁶⁷ Maiah Jaskoski, “Ecuador and Peru: Army for Rent, Terms Negotiable,” *Berkeley Review of Latin American Studies* (Spring 2009): 46–49; “Military Politics in Peru and Ecuador,” chs. 2, 8; Forthcoming, “Local Army Entrepreneurship in Peru and Ecuador.”

⁶⁸ For deviations from this pattern in mining zones, see Jaskoski, “Military Politics in Peru and Ecuador,” 392–394.

⁶⁹ For instance, according to a lawyer working for a private mining company in Peru, the company had since 1994 maintained a contract with the police at the regional level for this purpose.

⁷⁰ Yashar, *Contesting Citizenship in Latin America*.

⁷¹ Jaskoski, “Military Politics in Peru and Ecuador,” 110–111.

⁷² *Ibid.*, 399.

⁷³ As for the Bolivian case, there is some evidence that the military may have an important role controlling sub-national protests surrounding hydrocarbons there as well, based on individual case evidence. In late August 2006, in opposition to an Argentine customs regulation, protesters from the towns of Yacuiba and Pocita closed valves on the Yabog natural gas pipeline, which transports gas to Argentina. (Argentina is second only to Brazil in its import of Bolivian gas, receiving up to 7.7 million cubic meters daily.) As a result, gas flow was interrupted for several hours. Bolivia’s military “intervened” to end the protest (*Oil Daily* 2006, Upstreamonline 2006).

While future field research will have to explore the influence of industry structure and regional security dynamics on the role of mining and energy ministries in sub-national resource conflict, at this point it is invaluable to analyze in detail the overall cross-sector variation between sub-national conflicts in order to establish patterns and ground future work. The following three sections analyze seventeen cases of sub-national conflict surrounding mining and hydrocarbons in Peru (six mining, two hydrocarbons), Bolivia (two mining, three hydrocarbons), and Ecuador (one mining, three hydrocarbons), respectively. Each section also provides country-specific information on the sectors, particularly with regard to private investment. Table 1 summarizes the observed role of the state and companies in the different cases.

Table 1. State versus Company Role in Andean Sub-National Resource Conflicts

	Mining	Hydrocarbons
Peru	<i>State negotiations with supra-communal actors; Company negotiations with local actors; limited company negotiations with supra-communal actors</i>	<i>Company negotiations with supra-communal actors and local actors; limited state negotiations with supra-communal actors*</i>
Bolivia	<i>State negotiations with supra-communal actors; Company negotiations with local actors</i>	<i>Company negotiations with supra-communal actors and local actors; limited state negotiations with supra-communal actors</i>
Ecuador	<i>Company negotiations with local actors</i>	<i>Company negotiations with supra-communal actors and local actors</i>
Sector Pattern	State-centric	Company-centric

*The Bagua conflict is not included in this table, due to the fact that the conflict solely involved the state and sub-national social actors.

IV. PERU

Oil and mining have historically been critical components of Peru's economy. Between 1968 and 1978, copper, iron and iron ore, silver, zinc, lead, and petroleum constituted on average 50 percent of Peru's total export revenue,⁷⁴ and between 1990 and 2000, mining products constituted about 45 percent of Peru's exports.⁷⁵ This discussion will provide an overview of dramatic shifts in private participation in, and popular mobilization surrounding, Peru's extractive industries.

⁷⁴ Barbara Stallings, "International Capitalism and the Peruvian Military Government," In *The Peruvian Experiment Reconsidered*, ed. Cynthia McClintock and Abraham F. Lowenthal, (Princeton: Princeton University Press, 1983), Appendix 5.1.

⁷⁵ Jeffrey Bury, "Mining Mountains: Neoliberalism, Land Tenure, Livelihoods, and the New Peruvian Mining Industry in Cajamarca," *Environment and Planning* 37 (2005): 224.

In terms of private investment, Peru's hydrocarbons and mining sectors underwent nationalization under military rule, followed by privatization in the first half of the 1990s. General Juan Velasco Alvarado's government (1968–75) nationalized much of Peru's oil and mining sectors.⁷⁶ The next major shift occurred in the aftermath of the crisis-ridden 1980s, the post-democratization (1980) decade that saw hyperinflation and negative growth, as well as the high point of an internal conflict that ultimately (by the end of the 1990s) left an estimated 70,000 dead.⁷⁷

In the context of Peru's economic crisis, President Alberto Fujimori (1990–2000) pursued drastic privatization policies in general, including in the natural resource sectors. By 1994 mining and petroleum had been privatized, largely through the piecemeal sale of shares.⁷⁸ Since Fujimori left office in 2000, the government has continued welcoming foreign private investment. The most dramatic and recent step, for example, was taken during 2009 by President Alan García (2006–present), who, within his first two years in office, passed ninety-nine decrees to break up community land and thereby encourage natural resource exploitation, including investment in hydrocarbons in the Amazon.⁷⁹

Investment in mining and hydrocarbons increased in the 1990s and has skyrocketed since. The number of mining claims made annually rose from under 1,000 in 2001 to nearly 8,000 in 2007; and the area of those claims increased during that same period from under 500 hectares to 3,500 hectares.⁸⁰ Hydrocarbon concessions went from covering approximately 14 to 70 percent of Peru's Amazon between 2004 and 2007.⁸¹

In this context, social conflict has exploded since the 1990s, particularly over resource extraction. Whereas total annual social protests and strikes did not reach 400 between 1994 and 1999, in 2000 and 2001 there were nearly 700 incidents, in 2002 the number crept over 800, and then dropped to hover around 500 in 2003 and 2004.⁸² According to the national ombudsman's office's records of "social conflict" in Peru, of all 110 conflicts reported in 2006, 21 percent were over natural resource issues, and 46 percent of the fifty-seven new social conflicts in 2007 were over these issues.⁸³

⁷⁶ Luara Guasti, "The Peruvian Military Government and the International Corporations," In *The Peruvian Experiment Reconsidered*, ed. Cynthia McClintock and Abraham F. Lowenthal (Princeton: Princeton University Press, 1983), 187–192.

⁷⁷ Comisión de la Verdad y Reconciliación, *Informe Final* (Lima: CVR, 2003), Anexo 3: 86.

⁷⁸ Bury, "Mining Mountains."

⁷⁹ Bebbington, A., "The New Extraction," 12.

⁸⁰ Anthony Bebbington, Denise H. Bebbington, and Jeffrey Bury, "Federating and Defending: Water, Territory and Extraction in the Andes," In *Out of the Mainstream: Water Rights, Politics and Identity*, ed. Rutgerd Boelens, David Getches, and Armando Guevara-Gil (London: Earthscan, 2010), 309.

Expansion in mining has taken place in both longstanding mining departments such as Cajamarca, as well as departments new to mining, including Piura (Ibid., 310).

⁸¹ Ibid., 309–311.

⁸² Arce, "The Repoliticization of Collective Action," 42.

⁸³ Defensoría del Pueblo, *Décimo Informe Anual de la Defensoría del Pueblo Enero-Diciembre 2006* (Lima: Defensoría del Pueblo, 2007), 243; Defensoría del Pueblo, *Undécimo Informe Anual de la Defensoría del Pueblo Enero-Diciembre 2007* (Lima: Defensoría del Pueblo, 2008), 232.

The remainder of this section will address the six major mining conflicts in Peru and the two main hydrocarbon conflict cases that have been analyzed in the secondary literature and that were identified during the course of this research. The analysis will show that Peru's central government, especially the Ministry of Energy and Mines (MEM), regularly intervenes in conflict at the sub-national level. We observe this central government participation in both the mining and hydrocarbon sectors. However, relative to mining conflict, in the case of hydrocarbon conflict, there is evidence that significantly more informal conflict and conflict resolution occurs between companies and social actors, without MEM involvement.

Peruvian Mining Conflict⁸⁴

This analysis of six Peruvian mining conflicts demonstrates that in general, private mining companies have negotiated considerably with communities residing in the immediate location of the mine while refusing to negotiate with supra-communal actors in the broader regions of extraction. In this setting, the MEM frequently intervenes to initiate and support conflict resolution and resource extraction. Two of the six cases do deviate from this pattern somewhat: In the cases of the Antamina and Tintaya mining projects, the company proved willing to negotiate with supra-communal actors. The six cases vary in the degree to which protest activity has escalated and in the region's status as a traditional mining center.

Tambo Grande

In the case of the Tambo Grande mine conflict (1999–2003), social opposition to the Canadian mining company Manhattan Minerals Corporation (MMC) ultimately caused the company to leave. In spite of considerable efforts by MEM to support exploration, MMC lost its exploitation rights at the end of 2003, due to a local referendum in 2002.

The conflict took place in the district and town of Tambogrande, in the northern coastal department of Piura, which has not traditionally been a mining center. The Tambogrande district has historically focused on agriculture, and owners of small and medium farms constituted the major opposition force to mining, on the grounds that the mining project would harm agricultural production. Groups opposed to MMC's activities organized as the United Front for Defense of Espinar Interests (the "front").⁸⁵ The front and other opposition figures marched, protested, and took control of company vehicles and installations. The opposition also received help from a technical and legal support group that the regional archbishop and various NGOs in Lima created. On the other side, businessmen, professors of the university doing studies for the company, and the state mining sector supported it, anticipating the

⁸⁴ Unless otherwise indicated, details surrounding the six mining cases are drawn from the six case analyses in José De Echave, et al., *Minería y Conflicto Social, Minería y Sociedad* (Lima: Instituto de Estudios Peruanos, Centro de Investigación y Promoción del Campesino, Centro de Estudios Regionales Andinos Bartolomé de Las Casas, and Consorcio de Investigación Económica y Social, 2009), chs. 1–6.

⁸⁵ In Spanish, the front is Frente Único por la Defensa de los Intereses de Espinar.

potential of resources directed from the company to the zone through canon funds (i.e., royalties disbursed directly to resource-rich areas in Peru as described previously).

Mining exploration originally began in Tambogrande in the 1970s, under the French company BGRM. In 1990, amid organizing in Piura in support of agriculture and in opposition to mining-related pollution, a special law declared it in the national interest to exploit the minerals in Tambogrande. In 1994 BGRM and the regional government agreed to exploitation, on the condition that proportions of the profits would go to the city of Tambogrande and the department of Piura. In the late 1990s, rights to the project were transferred to MMC, which began systematically acquiring nearby mining concessions. Major opposition to MMC began in May 1999, when the MEM approved the mining project Tambo Grande, to be carried out by Minero Perú S.A. and MMC. MMC subsequently moved into the zone with equipment.

The February 2001 protest in Tambogrande illustrates the great extent of contestation surrounding the mining question. In urban areas of the district, there was confrontation between protesters and the 300 police stationed to protect the mining company installations. Fifteen protesters and twenty-five policemen were wounded. People ransacked the MMC encampment and that of an MMC contractor and burned down the MMC-constructed homes that served as models for the homes the company promised to build in case the residents of Tambogrande city were relocated to facilitate mining efforts. The damage was estimated to be \$600,000.

As mentioned, the popular referendum, carried out by the mayor's office, proved key for the opposition's successful halting of the mining operation. In June 2002 international and national observers oversaw the referendum, which rejected the mining project by 98 percent of the 73 percent of the electorate that turned out.⁸⁶ When the MEM claimed that the referendum results were non-binding and reaffirmed the company's exploitation rights, protests escalated further. In one march, more than 7,000 residents of Tambogrande turned out to show support for agriculture and opposition to mining.⁸⁷ The front effectively lobbied the national legislature, resulting in a law declaring the "intangible" nature (*intangibilidad*) of Tambogrande agriculture. In December 2003 the state mining company Centromin communicated through a press release that MMC did not fulfill the contract requirements and therefore lost its right to Tambo Grande.

Central Government Efforts. The MEM's role went beyond rejecting the popular referendum. The MEM also visited the region, seeking to resolve the conflict and allow for MMC to carry out its activities. Specifically, before and after the 2002 referendum, national government actors sought to resolve the conflict. The national ombudsman (Defensoria del Pueblo) served as mediator to promote dialogue between MMC, the archbishop, MEM, the Ministry of Agriculture, and the front. The minister of MEM under interim president Valentín Paniagua (2000–01) traveled to Piura in May 2001 to create this

⁸⁶ This was the first time in the world that a local population used a free, secret vote of the citizens to decide about the installation of a mine in its territories.

⁸⁷ Protesters included Piuran congress people and the provincial mayor, and the anti-mining movement was strengthened with support of district and provincial mayors in Piura.

roundtable, taking the side of MMC. In October 2002, the national ombudsman again attempted to facilitate dialogue. The minister of MEM and the minister of agriculture (under President Alejandro Toledo [2001–06]), visited Piura. The effort failed: the municipality and the front demanded that the MEM recognize the referendum and suspend MMC activities. Repeated efforts by the MEM to organize dialogues, informational workshops, and public audiences in Tambogrande were to no avail. The front refused to participate, and the gatherings were canceled before they began.

Company strategy. Throughout the conflict, to the extent that MMC sought approval from communities in the zone, it focused only on the local level, ignoring key actors in the broader zone surrounding the communities and project site. For instance, when the company initially entered the zone to begin its operations in July and August 1998, MMC sought permission for exploratory activities with the communities in the project location, the communities of José Ignacio Távara and Locuto. Later, it sought to provide direct material benefits to the families in the immediate zone, including, for example, some short-term employment.

Even after the formation of the front, MMC's efforts to win local approval still focused only on the town of Tambogrande. For instance, in response to the August 2000 district-wide strike, MMC initiated a door to door campaign in the city of Tambogrande, specifically visiting the people who would be relocated in the case that MMC's gold oxide exploration efforts yielded results.

Majaz

The Rio Blanco mining project, better known as Majaz, is a case of ongoing conflict over mining, though as of 2010, exploration continued. The conflict analyzed here occurred from 2003 to 2007, between Minera Majaz (MM) and populations living in the department of Piura, the location of the project.⁸⁸ As in the case of Tambo Grande, alongside opposition to the mining project, there was also pro-mining sentiment within the regional and district governments due to interest at those levels in benefiting from mining investment.

Opposition. Between 1994 and 2002, from the discovery of the mining site to the issuance of the first exploration permits, there was no conflict to speak of. However, when in 2003 the MEM authorized the MM exploration project, it triggered conflict. By early 2004, the opposition, which included local communities directly affected by the mining project (specifically, Segunda y Cajas, Huancabamba, and Yanta, in the district and province of Ayabaca), congealed in the creation of the Ayabaca and Huancabamba Environmental Defense Fronts.⁸⁹ The opposition extended to include Piura bishops, provincial and district mayors, members of the National Confederation of Peruvian Communities Affected by Mining (CONACAMI),⁹⁰ the traditional communal security forces in the region (*rondas*

⁸⁸ The project subsequently changed hands: MM sold just over one-half its shares to a semi-public Chinese company, and by the end of 2007 the company name operating Majaz was Rio Blanco Copper S. A.

⁸⁹ In Spanish, the fronts are Frentes de Defensa del Medio Ambiente en Ayabaca y Huancabamba.

⁹⁰ In Spanish, CONACAMI stands for Confederación Nacional de Comunidades del Perú Afectadas por la Minería.

campesinas), and other activists, forming the Front for Sustainable Development of the Northern Border (FDSFN).⁹¹

Conflict was dramatic. In 2004 and 2005 there were major marches to the Majaz encampment. The *rondero* leaders stand out as key leaders in instigating the first march, which lasted for a few days in April 2004. The protesters clashed with the police, and one protester was killed by a tear gas bomb. In response to interventions by the Ministry of Interior and the MEM, the protesters withdrew. A march involving the Ayabaca *rondas* and communities on the mining encampment at the end of July 2005 led to the death of one person, the injury of five, and the arrest of thirty-two. This mobilization was one of a more general period of strikes and mobilizations in the Piuran highlands that blocked major roads and airport access. The *ronderos* staged two marches in 2006 to demand the closure of the company's Ayabaca office.

The FDSFN stood firm against the company and MEM, for instance denouncing company efforts to buy local support with gifts. Brief dialogue between FDSFN and the MEM broke down in late May 2006, with the FDSFN demanding that the company leave the zone. The major action taken by FDSFN that led to extreme polarization between the company and the opposition was its September 2007 referendum, parallel to that of Tambogrande, to formally eject the company. The referendum was held in the districts of Ayabaca, Pacaipampa and Carmen de la Frontera, and overseen by national, international observers, *ronderos*, and local and national press. Following the referendum, the prime minister convoked a dialogue in Ayabaca to bring together key actors. The FDSFN halted the December 2007 meeting when the minister refused to include in the discussion the results of the referendum. Ultimately, whereas the FDSFN emphasized the massive participation and the majority of votes against the mining activities, the central government focused on absenteeism and the poor representation of the vote, as well as its non-binding character.

Company strategies. When in 2003 the MEM authorized MM's exploration project, MM pursued a strategy of obtaining approval from the leaders of the communities most directly in the project vicinity (the approvals were later revoked by the communities, overturning the leaders' decisions). In addition, the company's local community development office carried out small development efforts. Prior to the 2007 referendum, MM sought to gain community support, creating a fund of \$80 million for development in the project vicinity. The company also distributed written materials in support of the project and relied on intermediation of MEM, which organized meetings to gain popular approval of the project.

Government strategies. As suggested above, the MEM was involved throughout the conflicts, seeking unsuccessfully to establish a resolution that would allow the company to continue its operations in the zone. For instance, when the 2004 march on the mining camp was announced, MEM and Interior ministry representatives met with local community authorities and representatives of the *rondas* to try to preempt protest. When the MEM learned of the planned 2005 march, the vice-minister of the MEM invited the Church, Oxfam, and CONACAMI in an effort to form a commission to resolve the conflict

⁹¹ In Spanish, FDSFN stands for Frente por el Desarrollo Sostenible de la Frontera Norte.

and prevent the march. After the protest, the MEM continued its negotiation efforts, for example seeking dialogue in Piura with the regional government, the church, the national ombudsman, mining representatives, and the *ronderos*. As the conflict continued, central government visits to the zone to address the conflict continued. President Garcia himself came to Piura and made several public statements reiterating his promise for regional development and private investment in the zone, interpreted as direct support for mining there.

Las Bambas

The Las Bambas project is located between the provinces of Grau and Cotabambas in the department of Apurimac, which is relatively new to mining (the area of the project had experienced mineral exploration but not production⁹²). In this case, the MEM was involved from the start in terms of seeking support from the local and nearby populations. Furthermore, the MEM stepped in to manage the regional debate of how to allocate company investment in development. This analysis examines relations among the state, communities, and the Swiss company Xstrata.

Opposition. Xstrata increased its mining activities in 2003, which triggered considerable mobilization. The Apurimac Regional Mining Table (MMDRA)⁹³ brought together the regional government of Apurimac, rural and urban associations, NGOs, representatives of educational institutions, and the regional coordinator of the Apurimac branch of Communities Affected by Mining (CORECAMI Apurimac).⁹⁴ The mission of MMDRA was to create a regional strategy to achieve economically, socially, environmentally, and culturally responsible mining that would support sustainable development at the regional level.

The main conflict in the zone was over how the *fondo de fideicomiso*, a fund for development projects in the region created by Xstrata and to be administered by the company, ProInversión (the Peruvian government's private investment promotion agency), and sub-national political and community leaders. Critics of the fund complained about low transparency, slow decision making, the lack of participation of representatives of the communities, and the distribution of investment—specifically, there was a conflict between the regional government of the Apurimac department and the provinces of Grau and Cotabambas within Apurimac. Complaints about the fund caused a series of mobilizations. For instance, a regional protest of forty-eight hours in March 2005 demanded that the fund be distributed throughout the entire region. There were further mobilizations in 2006 and 2007. As of 2009, very little of the fund had been spent at all, which led to ongoing complaints from groups in society.

⁹² Apurimac is increasingly receiving attention from mining companies. Active mining concessions went from just over three percent of Apurimac's territory in 1990, to approximately 25 percent in 1999, to about 33 percent as of 2007. The MEM has promoted Apurimac as a national mining reserve in Peru, and currently the department is home to about twenty-one major mining projects, mainly copper and gold.

⁹³ In Spanish, MMDRA stands for Mesa de Minería y Desarrollo Regional de Apurímac.

⁹⁴ In Spanish, CORECAMI stands for Comunidades Afectadas por la Minería. The MMDRA grew in strength when the Federación Campesina de Cotabambas subsequently joined.

Company strategy. Since the end of 2004, Xstrata has relied heavily on bilateral clientelist relations with communities in the location of the mine, a strategy that has effectively achieved a positive relationship with those communities.⁹⁵ At the same time, the company left aside intermediary associations, like federations representing groups of communities in the zone, some of which became increasingly mobilized.⁹⁶ As of 2009, Xstrata's exploration confirmed the value of the zone, including the existence of 508 million tons of copper, an increase of 69 percent of the total mineral resources in the zone in less than a year. In this context, the company moved forward with consulting directly with local communities and planning land acquisition and community relocation.

One measure that Xstrata took that went beyond the ongoing bilateral communications was that it created the *fideicomiso* fund. Nonetheless, it seems that the company did not play a major role in trying to resolve the subsequent conflicts over the fund, the major focus of protests. Rather, it was the state that struck a resolution.

Government strategy. The Peruvian state was central in the Las Bambas conflict. ProInversion coordinated with MEM and authorities of the regional government, and district and provincial authorities from the provinces of Cotabambas and Grau held public meetings in 2004 in order to advertise potential local and regional benefits of the project, including investment and employment.

In the context of protest over the *fideicomiso* fund, in October 2005 the Popular Assembly of the Cotabambas province sent a delegation to Lima, which met with Congress, the national ombudsman, Xstrata, the MEM, ProInversion, the Concertation Roundtable of the Fight Against Poverty (MCLCP),⁹⁷ and an advisor to Peruvian President Alejandro Toledo about environmental questions and about management of the fund. The MEM played a central role once again following the 2007 protests over the fund, when a high-level commission headed by the minister of MEM traveled to the district of Chalhuanahuacho (in Cotabambas) to propose a new plan for managing the fund.

Yanacocha

Yanacocha is a case of escalating conflict and ongoing mining activities. Company-community relations vacillated between conflict and local buy-offs. During the particularly intense conflict moments during 2004–06, the MEM was involved.

The Yanacocha mine is jointly owned by the U.S. Newmont Mining Corporation (which owns over 51 percent of the project), the Peruvian Compañía de Minas Buenaventura, and the International Finance Corporation. It is near the city of Cajamarca, in the department of Cajamarca—traditionally a

⁹⁵ The company's "Social Involvement Plan" has included health and nutrition, education and training, culture and development, and the environment.

⁹⁶ Importantly, these supra-communal organizations were not inherently opposed to mining but, rather, were concerned about how it was carried out and the development benefits that might or might not reach the region.

⁹⁷ In Spanish, MCLCP stands for the Mesa de Concertación de Lucha Contra la Pobreza.

mining center—and is the largest gold mine in Latin America and the first major foreign direct investment in Peru since the 1980s.⁹⁸ Exploration started in the 1980s, and gold was first produced in 1993.⁹⁹

Opposition. Opposition took the form of major popular mobilizations, met with considerable repression by the national police. As of 2004, citizens were well aware of adverse environmental effects of Yanacocha's activities, which had polluted water in the rural areas as well as in the city of Cajamarca. In this context, the company was preparing to carry out more exploration, which triggered protests among rural and urban populations. In September 2004 populations staged a major regional protest, which began as a protest of 10,000 but increased to 40,000 in the face of police repression that wounded several protesters. Once again, in 2006, water contamination triggered protests. The police killed one person in the confusion, which further galvanized the opposition.

Company strategy. The first relations between the company and local communities occurred in the 1990s and can be characterized as clientelistic. The company bought land through individual deals with landowners at low rates (subsequently, the Church and NGOs facilitated organizing in the zone, and community members made claims to the land and complaints regarding the terms of the purchases). After a major September 2004 protest and in the face of MEM efforts to resolve the conflict, the company shifted away from specific, small gifts toward a new model whereby investment would be spent on broader development projects for the region according to plans made with the input of sub-national political officials. Nonetheless, as of 2009 the mining company's "social responsibility" efforts still privileged small projects for communities directly affected by the mining operation.

Government strategy. With MEM backing, the company was able to push forward on exploration, in spite of opposition. As evidence of the MEM's support for the project, shortly before the September 2004 protests, representatives of the MEM visited the zone from Lima to try to calm demands and help the project move forward. After the protest, a MEM resolution halted the exploration of Yanacocha. The mining company accepted the decision and then resolved to improve its direct relations with communities (see above). Similarly, following the 2006 protest, the prime minister at that point went to the zone to handle the issue directly, as moderator. The minister arranged for a system whereby the company would provide communities with water access and development, including roads.¹⁰⁰

Antamina

Antamina in the mining department of Ancash is another case of a major mining project, like Yanacocha. However, unlike Yanacocha, Antamina focused on development and community relations very early on. With this strategy, company-community relations were much less conflictive than those in the case of Yanacocha. Furthermore, unlike most of the other cases of mining conflict in Peru (and in the

⁹⁸ Bebbington, A. et al., "Mining and Social Movements: Struggles Over Livelihood and Rural Territorial Development in the Andes," *World Development* 36, no. 12 (2008): 2893.

⁹⁹ Ibid.

¹⁰⁰ The minister also arranged for a way by which the government would observe the company's measures to follow through with its development programs. Secondary analysis of the case suggests that no such oversight was established, and that distrust of both the company and the government continued.

Central Andes), in the case of Antamina the mining company made considerable effort to reach out to sub-national actors beyond the immediate, local zone of operations (in the below-analyzed case of Tintaya, the company also exhibited a willingness to negotiate with supra-communal actors). Therefore, perhaps it should not be surprising that the role of the state in the Antamina case is notably small.

Opposition. Two specific districts affected by the mine have been the focus of analysis of the Antamina case: Huarmay and San Marcos. Historically, San Marcos had been a mining zone, first with artisanal mining and then starting in the 1950s with the private Cerro de Pasco mine, which the Peruvian state nationalized in 1971. The company Compañía Minera Antamina (CMA) arrived in San Marcos in 1996. After the environmental impact assessment (EIA) was conducted, two years later construction began, and in 2001 commercial production began. By 2001, residents had begun to resent the company's short-term approach to local investment.¹⁰¹ In this setting, a front in San Marcos was formed, protesting CMA's practices in the form of letters to the central government and legal filings.

Turning to Huarmey, the first major clash between district residents and Antamina occurred when, in an attempt to be socially responsible, CMA made plans to construct a tube to transport minerals—in order to meet the demands of the environmental community—whereas Huarmey residents had wanted the company to build a road.¹⁰² Conflict escalated and opposition groups formed the Huarmey Front, which organized regional strikes, the first in May 2001, and the second, which blocked the Panamerican Norte highway, in June 2001. In 2002 and 2003, tensions peaked again in the form of major protests over the allocation of CMA funds—protesters demanded that CMA development investment to go directly to Huarmey and not to the department of Ancash.

Government strategy. Central state actors were involved in the Huarmey case in order to support production. For instance, the National Environmental Council (CONAM)¹⁰³ initiated a June 2001 meeting involving the MEM as well as the ministries of health, agriculture, fishing, and defense. Nonetheless, it was company actions that ultimately controlled social conflict.

Company strategy. The company's approach to local communities in San Marcos and Huarmey was direct buy-offs of the most local communities. However, unlike the other Peruvian mining conflict cases analyzed here, CMA subsequently changed its strategy toward reaching out to actors beyond the most local zone. In San Marcos, CMA brought together key district actors and founded an association at

¹⁰¹ For instance, after the company paid above-market prices for land plots, in 1998 the community of Huaripampa granted the company permission to mine. Subsequently, community members resented the short-term development efforts of the company, such as the purchase of a truck, and the company's refusal to invest in long-term efforts such as paying doctors' salaries at the community clinic and providing long-term employment for community members. Another local community in San Marcos, Carhuayoc, was more successful in negotiating with the company, due to its experience with mining and its stronger education system, in addition to lessons learned from the earlier Huaripampa case. The company not only gave money in exchange for the land of Carhuayoc residents, but it also gave residents farm property to the north of San Marcos to replace the sold land. Nonetheless, community-company tensions did arise over the relocation itself, due to confusion over who truly owned individual plots and also because in the end CMA began using the land reserved for relocation, instead of transferring it to the community.

¹⁰² In the face of this opposition, the tube construction project was approved as an amendment to the EIA.

¹⁰³ In Spanish CONAM stands for Consejo Nacional del Medioambiente.

the departmental level to invest in development. Though isolated protests did occur, secondary analysis suggests that the association's investments did improve relations overall.

In Huarmey, relations with CMA improved due largely to the company's strategy. The CMA's community relations office supported several organizations, leading groups to abandon the front, which essentially dissolved as more and more groups themselves chose to seek development support instead. The front's efforts to organize strikes in 2004 and 2005 therefore failed. Another reason for better relations between CMA and Huarmey was the "sustainability fund," negotiated by the mayor with CMA. The fund obligated CMA to pay the municipality one million dollars across 2006, 2007, and 2008.¹⁰⁴

Tintaya

Of the six mining conflict cases, Tintaya is the oldest mining operation, operating for over twenty-five years in the province of Espinar (in the department of Cusco). This section focuses mainly on conflict between communities and the mining company BHP Billiton Tintaya from the 1990s to 2005 (in 2006, Tintaya was purchased by the Swiss company Xstrata Copper). Tintaya presents a combination of direct company-community negotiations and negotiations involving central state participation. Furthermore, similar to the case of Antamina, BHP Billiton was also willing to negotiate with supra-communal societal actors. Tintaya therefore stands out as another exception to the general pattern whereby mining companies have tended to negotiate only with communities in the immediate zone of extraction.

Opposition. Opposition strategies ranged from protests to regional strikes to negotiations. The main moments of conflict were the 1990 protests, which culminated when protesters occupied the mine and took some employees hostage. In the second half of the 1990s, a new stage in mining operations began, and organizations in Espinar began mobilizing at the provincial level to articulate demands regarding employment, environmental impacts, and infrastructure projects. Other major protests occurred in 2001, 2003, and 2005. The last major conflict was in May 2005, when a group of organizations in the province protested the company's slow implementation of its investment promises. The mobilization turned violent and ended with the taking of the mine.¹⁰⁵

With the May 2005 protests, opposition forces became divided. At that point some organizations engaged in negotiations orchestrated by the government. However, the communities most directly affected by the mining did not feel represented in the negotiations and instead pursued a separate struggle. The communities subsequently made considerable gains (see below) in important ways due to support from organizations at the national and international levels.

¹⁰⁴ Though negotiations were at the local level, they were backed up at the national level by the Peruvian state, specifically, by congressman Jorge del Castillo, president of the congressional Commission for Investment (Comisión Proinversión del Congreso).

¹⁰⁵ Over 2,000 people participated in taking the mine, and once inside, protesters set small fires inside the mining camp. Some protesters stoned police personnel (Reuters 2005).

Company strategy. BHP Billiton sought to negotiate directly with opposition groups, a strategy that proved successful at times, for instance, resolving the 1990 protests: the parties negotiated an agreement according to which the company would bring electricity to the urban zone of Espinar, fund machinery for artisans, and create a fund for veterinary medicine. Similarly, when the company sought to expand its operations in the late 1990s, it began purchasing communal lands, negotiating directly with the individual communities.

Interestingly, and different from many mining cases, the company did exhibit considerable willingness to negotiate directly with main representatives at the provincial level, which occurred in the late 1990s and following the 2001 mobilization,¹⁰⁶ and again after the 2003 and 2005 protests at the company installations. In 2003, the company and protesting groups signed the “*convenio marco*,” according to which the company would invest a percentage of its profits to the province of Espinar.

Finally, starting in 2005 another major phase of direct company-community negotiations began. As mentioned, the communities most directly affected by the mining operations refused to engage in the 2005 negotiations and instead pursued their own struggle, with national and international allies. A case pending in the Oxfam Australia mining ombudsman’s office triggered the company to seek out direct negotiations with that group of communities. In 2004 the company promised to give the communities the same amount of land that they had lost to the company purchases and to state expropriations. In the agreement, a community fund was set up to which the company would contribute a fixed amount of money each year for three years to be spent in the communities. The agreement also created mechanisms for environmental oversight and community consent prior to future mining activities.

Government strategy. It appears that until 2005 the company did not turn to the central state for support. In response to the 2005 protests, BHP Billiton Tintaya completely halted the company’s operations and evacuated its workers, apparently as a means of pressuring the government to step in. At the time, the company president said, “the company won’t return to its activities at the encampment while there are not guarantees of the security of the workers and operations.”¹⁰⁷ In response, the MEM installed a “crisis committee,” assigning the vice-minister of mines to take the lead.¹⁰⁸ Three meetings of the committee succeeded in reducing tensions enough to reopen the Tintaya operations.¹⁰⁹

Peruvian Hydrocarbons Conflict

Similar to policy in the mining sector, in recent decades Peru’s government has encouraged private investment in hydrocarbons. As part of President Fujimori’s broader neoliberal reform program,

¹⁰⁶ In 2001 negotiations were over investment in public works projects, the environment, sustainable development for affected communities, and contracting preferences for local populations. The provincial mayor, in conjunction with organizations, participated in the negotiations.

¹⁰⁷ De Echave, et al., *Minería y Conflicto Social*, 144. Author’s translation.

¹⁰⁸ The committee also included different ministerial officials, representatives of Cusco regional government, and a representative from OXFAM America.

¹⁰⁹ The negotiations focused on themes such as company investments in hospital and highway construction, and provincial-level environmental assessments.

reform of the hydrocarbon sector began with a 1993 law that permitted private companies to invest in refining, commercialization, and downstream activities. The state oil company Petroperu became a “simple operator associated with multinational companies.” The new company Perupetro became responsible for promoting investment in new operations.¹¹⁰ More recently, a 2000 law gave companies a larger window for exploration, a 2002 law granted major tax breaks to companies during exploration, and a 2003 reform reduced the hydrocarbon rent to the state from the 15–35 percent range to 5–20 percent.¹¹¹

Though conflict over hydrocarbons has been much less common than conflict over mining in Peru, hydrocarbon expansion has been dramatic, and local and supra-communal actors have mobilized, demanding that companies minimize the environmental and social impacts of their operations and compensate residents in the zones and regions of extraction. In particular, two recent cases have received attention by scholars: the case of Bagua, a localized conflict over legal measures that would open up the Amazon for more oil exploration; and the case of Camisea, an ongoing conflict over natural gas production.

Bagua

Bagua shows just how dramatic oil protests in Peru can be. This case also differs significantly from other conflicts analyzed in this report, as it consists of local protests opposing government policy, as opposed to the actions or future actions of a company or companies in the zone.

From April to June 2009, indigenous groups in Peru’s northern Amazon jungle protested a package of decrees that encouraged oil exploration and the breakup of communal lands.¹¹² In the middle of May, indigenous protests blocked roads and waterways, blocking energy companies’ supply routes and therefore halting the transport of oil through the state oil company’s (Petroperu) pipeline, which normally pumped approximately 40,000 barrels per day.¹¹³ On June 5, protests peaked in the town of Bagua, in the Amazonas region, where thousands of people—indigenous and non-indigenous—gathered. At least thirty-three people were killed and another 200 wounded in clashes between protestors and the police.¹¹⁴ By decree, the military was subsequently placed in control of the Amazonas region and provinces in Cajamarca; specifically, the army reestablished state control by surrounding Bagua and conducting joint exercises with the police to open roads, in addition to assisting the police with an operation to rescue twenty-three police personnel that had been held hostage by a group of protesters.¹¹⁵

¹¹⁰ Guillaume Fontaine, “The Effects of Energy Co-Governance in Peru,” *Energy Policy* 38 (2010): 2235.

¹¹¹ Ibid.

¹¹² Bebbington, A., “The New Extraction,” 12.

¹¹³ Dana Ford, “Peru Oil Pipeline Halted on Protests in Amazon,” *Reuters UK*, May 18, 2009, <http://uk.reuters.com/article/idUKTRE54H6EN20090518?sp=true> (accessed January 27, 2011).

¹¹⁴ Bebbington, A., “The New Extraction,” 12.

¹¹⁵ *El Comercio* (Lima), “Bagua se Desangra,” June 6, 2009, <http://elcomercio.pe/impres/notas/bagua-se-desangra/20090606/296827> (accessed February 3, 2010); “Se Enseñaron con 9 Policías Rehenes,” June 7, 2009, <http://elcomercio.pe/impres/notas/se-ensanaron-policias-rehenes/20090607/297283> (accessed February 3, 2010); *La República* (Lima), “PNP y Ejército Controlan Bagua,” June 7, 2009, <http://www.larepublica.pe/07-06-2009/pnp-y-ejercito-controlan-bagua> (accessed February 3, 2010).

Camisea

The natural gas pipeline of the private conglomerate, Camisea, crosses Peru's southern highlands on its way to the coast for export. Camisea is by far the largest gas project in Peru: "The Camisea reserves are ten times greater than all other existing natural gas reserves in Peru."¹¹⁶ The first effort to develop the Camisea gas fields occurred in the 1980s, when the reserves in Block 88 were discovered. Due to conflict between the state and the operator, Royal Dutch Shell, as well as resistance to oil and gas exploration from indigenous communities and environmental groups, Shell abandoned the project in 1988. Another initiative by a Shell-Mobil consortium also failed ten years later in 1998, due to company-government conflicts over domestic gas prices for electricity, the right to export gas to Brazil, and anti-trust legislation that limited vertical integration.¹¹⁷

A third effort to exploit the Camisea gas fields moved forward. In 2000 contracts granted exploitation rights to a private consortium led by Pluspetrol Peru Corporation S.A. (Argentina) and assigned transport rights to a second consortium, Transportadora de Gas del Perú (TGP).¹¹⁸ At the time, the Camisea block held approximately 8.1 trillion cubic feet (or 229.4 billion cubic meters) in proven reserves, and by the end of 2007 they constituted over two-thirds of the country's proven gas reserves.¹¹⁹ One-half of the Camisea royalties are directed to the department of Cuzco, where the gas reserves are located.¹²⁰

Local mobilization against the Camisea project has been considerable. This section will discuss briefly the mobilization of indigenous communities in the Camisea zone, contact between the key indigenous groups and Camisea, and the role of the state in managing conflict. Overall, the case demonstrates significant direct negotiations between Camisea and communities, in addition to actions on the part of the state to resolve conflict and support production.

The Camisea gas fields (Blocks 88 and 56) are located in the basin of the lower Urubamba River in southeastern Peru.¹²¹ Seventy-five percent of the gas extracted lies in a state reserve for indigenous people created in 1990 to protect the indigenous tribes living within its boundaries. A main group living in the Urubamba region is the Machiguenga, who follow traditional hunting, gathering, and fishing practices.¹²² The Machiguenga have opposed the Camisea project since the early 1990s, when they

As of the second week in June, Petroperu was losing \$120,000 per day, when the government suspended two particularly controversial decrees (Chauvin and Llana 2009).

¹¹⁶ Eveline Bruijn, and Gail Whiteman, "That Which Doesn't Break Us: Identity Work by Local Indigenous 'Stakeholders,'" *Journal of Business Ethics* 96 (2010): 482.

¹¹⁷ Fontaine, "The Effects of Energy Co-Governance in Peru," 2235.

¹¹⁸ The companies involved in the consortia were Hunt Oil, SK Corporation, Tecpetrol, Tecgas N.V., Pluspetrol, Sonatrach, and Graña & Montero.

¹¹⁹ Fontaine, "The Effects of Energy Co-Governance in Peru," 2235.

¹²⁰ Andrea E. Johnson, "Participation through the Pipeline: Assessing the Role of Civil Society in Peru's Camisea Natural Gas Project," Master's Thesis, Yale University, 2005, 9.

¹²¹ Lucy Earle and Brian Pratt, "Indigenous Social Movements and International NGOs in the Peruvian Amazon," *Occasional Papers Series* 49 (March 2009), Oxford, UK: International NGO Training and Research Centre, 14.

¹²² Bruijn and Whiteman, "That Which Doesn't Break Us," 482.

created the organization COMARU in 1992 to oppose the project.¹²³ COMARU, which came to be the Machiguenga's main representative body, has played a central role in mobilizing the Machiguenga.¹²⁴ As analyzed here, COMARU has both led mobilizations against Camisea and negotiated with the company.

As of late 2005, protests had erupted over four pipeline breaks that had occurred since the Camisea pipeline's completion, apparently due to construction errors.¹²⁵ Such protests in Cusco in October 2005 involved thousands of peasants, mostly indigenous people, who blocked roads and access to the airport and to Camisea's principle encampment.¹²⁶ By March 2006, another spill had occurred. The following is a summary of the spills and resulting mobilizations by the Machiguenga indigenous communities:

1. December 22, 2004: Eighty cubic meters of gas were spilled, contaminating the Urubamba River. Communities protested in January 2005 and boycotted the public meeting that the government scheduled to review the EIA for Block 56.
2. August 29, 2005: A spill in La Mar province of Ayacucho led TGP to halt transport for four days.
3. September 16, 2005: A spill in Toccate, Ayacucho, of 400 cubic meters caused 200 people to evacuate the area.
4. November 24, 2005: About 6,000 barrels of gas spilled in the Machiguenga communal reserve, inciting the Machiguenga to block the river for ten days.
5. March 4, 2006: About 750 cubic meters of gas were released through a leak, causing an explosion that led to injuries, including burns and respiratory problems, in the Kepashiato community.¹²⁷

Analysis of the Camisea case suggests an ongoing, though relatively ineffective, role for the Peruvian state in the conflict. The MEM's Institutional Cooperation Technical Group (GTIC), which brings together twelve public institutions, has held many meetings with local actors to provide information about Camisea and to consult with those actors; there were over one hundred such meetings near Block 88, infrastructure, and in Lima between 2002 and 2006.¹²⁸ In spite of these actions on the part of the state, critics have pointed to the limited nature of government presence and to its relative ineffectiveness in actually resolving conflict. For instance, the national ombudsman office (Defensoria del

¹²³ Ibid., 483.

COMARU began by bringing together seven communities. As of 2009, COMARU included thirty Machiguenga communities, eighteen of which were of the upper Urubamba and twelve of the lower Urubamba (Earle and Pratt 2009, 9).

¹²⁴ Earle and Pratt, "NGOs in the Peruvian Amazon," 9.

¹²⁵ *La República* (Lima), "Protestas por Contaminación Tras Rotura de Ducto de Gas de Camisea," December 3, 2005.

¹²⁶ *Servindi*, "Anuncian Ocupación de Campamento de Camisea," Human Rights Watch, 2005, http://www.amazonwatch.org/newsroom/view_news.php?id=987 (accessed December 15, 2010).

¹²⁷ Amazon Watch, "Update on the Camisea Project: March 2006," March 31, 2006, http://www.amazonwatch.org/newsroom/view_news.php?id=1133 (accessed October 29, 2010).

¹²⁸ Fontaine, "The Effects of Energy Co-Governance in Peru," 2242.

Pueblo) abandoned the GTCI when the group did not meet for over six months and refused to fund projects to protect human rights. Furthermore, “communities report that the state had virtually no effective presence on the ground during the exploration and construction phases of the project [in Block 88].”¹²⁹

Moving from the question of state involvement to direct relations between companies and communities, there is evidence that Camisea companies negotiated with both the supra-communal organization of COMARU and individual Machiguenga communities. In 2003, following negotiations between PlusPetrol and COMARU, the company granted COMARU a \$105,000 grant to be spent in the Upper and Lower Urubamba. Subsequently, COMARU negotiated to secure PlusPetrol funding of COMARU visits to its member communities.¹³⁰ COMARU also negotiated \$70,000 from TGP.¹³¹

Beyond these supra-communal level negotiations between the company and the main indigenous organization, Amazon Watch reports the practice of companies negotiating “on a community-by-community basis,” ignoring collective bargaining.¹³² As was true of state efforts, evidence suggests that the company’s efforts to negotiate directly with residents and COMARU failed to secure harmonious relations: the Machiguenga communities rejected the expansion of the Camisea Project in April 2005, when “the Machiguenga collectively released a public Community Statement rejecting the planned expansion of the Camisea Project with Plot 56.”¹³³ Conflict has continued, at least intermittently, as evinced for example by a 2009 case in which 300 members of a Machiguenga community took control of one of the Camisea pipeline’s valve stations.¹³⁴

V. BOLIVIA

In Bolivia, local and regional conflict over mining and even the particularly critical natural gas sector have been limited, relative to national conflict surrounding natural gas and also relative to the Peruvian and Ecuadorian cases of sub-national conflict. Nonetheless, the literature does present some important cases of sub-national conflict that generally follow the overall pattern observed in this report: namely, a larger role for the state in mining conflict than in conflict over hydrocarbons, in which companies engage in negotiations at both the local and supra-communal levels, with little need for state intervention. The following two sections detail the overall national dynamics and key cases of sub-national conflict over hydrocarbons and mining, respectively.

¹²⁹ Amazon Watch, “Update on the Camisea Project.”

¹³⁰ Earle and Pratt, “NGOs in the Peruvian Amazon,” 17, 43.

¹³¹ Ibid., 43.

¹³² “Update on the Camisea Project.”

¹³³ Bruijn and Whiteman, “That Which Doesn’t Break Us,” 489.

¹³⁴ *Latin American Herald Tribune*, “Indians Take over 2 Valve Stations on Gas Pipeline, Firm Says,” June 1, 2009, <http://laht.com/article.asp?CategoryId=14095&ArticleId=336174> (accessed February 20, 2011).

Bolivian Hydrocarbons Conflict

Bolivia's hydrocarbon sector, crucial for the national economy, has expanded dramatically over the course of the last decade with critical participation of foreign investment. The government has continued relying heavily on private foreign companies, even in the current context of increased national control over the sector in recent years.

In the same vein as Bolivia's radical 1985 structural adjustment project that moved the country away from a state-led development model (the New Economic Plan, or NEP), two major reforms in 1996 encouraged private investment in Bolivia's hydrocarbon sector: capitalization of the state oil company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) and the Hydrocarbons Law, passed under President Gonzalo Sánchez de Lozada (1993–97). The YPFB capitalization separated production (exploration and exploitation) from transportation in order to encourage foreign investment.¹³⁵ Also with capitalization, 50 percent of YPFB was sold off to multinational corporations,¹³⁶ and transnational royalties to the state were cut from 50 to 18 percent in “new discovery sites.”¹³⁷ This incentive structure encouraged investment in exploration, “increasing Bolivia's proven reserves by over 30-fold between 1996 and 2002, and making Bolivia's reserves the second largest in South America, after Venezuela.”¹³⁸ As of 2002, 97 percent of Bolivian hydrocarbon reserves were located in new discovery sites, which meant that the state received a relatively small share of the profits from production.¹³⁹

In 2006, the Morales government shifted control of hydrocarbons back to the Bolivian state in important ways following the 2003 and 2005 gas wars. The 2003 protests, which were the most violent and well-known of the gas wars, initially arose over the government's plan to export Bolivian gas through the landlocked country and via a port of Bolivia's long-time rival, Chile.¹⁴⁰ Protests involved indigenous peasants, miners, neighborhood associations, factory workers, students, and intellectuals. The mobilizations went from protesting the port issue to demanding re-nationalization of the country's gas reserves. After four days of violent protests that resulted in more than seventy deaths, Sánchez de Lozada, then in his second presidency (2002–03), resigned from office.

¹³⁵ Susan Spronk and Jeffery R. Webber, “Struggles against Accumulation by Dispossession in Bolivia: The Political Economy of Natural Resource Contention,” *Latin American Perspectives* 34, no. 2 (March 2007): 34.

¹³⁶ Derrick Hindery, “Social and Environmental Impacts of World Bank/IMF-Funded Economic Restructuring in Bolivia: An Analysis of Enron and Shell's Hydrocarbons Projects,” *Singapore Journal of Tropical Geography* 25, no. 2 (2004): 281–282.

¹³⁷ *Ibid.*, 292.

¹³⁸ Perreault, “Natural Gas, Indigenous Mobilization,” 1.

¹³⁹ Hindery, “World Bank/IMF-Funded Economic Restructuring in Bolivia,” 292.

The 1996 hydrocarbon law redefined “new” and “extant” natural gas fields in such a way that the very high percentage of hydrocarbons was located in the new sites, therefore enabling transnational companies to avoid significant royalty payments (Spronk and Webber 2007, 34).

¹⁴⁰ The plan was being pursued by the private international consortium Pacific LNG, of Repsol YPF, British Gas, and Pan-American Energy, which was established in 2002 specifically with the idea of transporting gas from Bolivia's Margarita gas field to the Pacific. The description in the text of the 2003 gas wars is drawn from Perreault (2008, 14–15).

Carlos Mesa, Sánchez de Lozada's Vice President, took over as President but also faced major protests in the western highland cities of El Alto, La Paz, and Cochabamba.¹⁴¹ In response to the hydrocarbon issue, Mesa sought unsuccessfully to satisfy demands for increased national involvement.¹⁴² He held a national referendum in July 2004 proposing, among other things, to renegotiate contracts with transnational companies to increase royalties and, specifically with regard to all future concessions, to increase royalties to at least 50 percent. The referendum approved the law, but many groups saw the project as not going far enough toward nationalization of the sector. Mesa resigned amid massive protests in March 2005.

President Evo Morales went farther in recapturing hydrocarbons revenue.¹⁴³ The May 1, 2006, "Heroes of the Chaco" decree forced oil and gas firms operating in Bolivia to turn over their production to YPFB and increased the tax rate on the largest gas deposits to 82 percent. Smaller gas and oil fields would be taxed at a rate of 50 percent. Private firms had 180 days to sign new contracts. The renegotiation process was successful in terms of continuity in gas production. For instance, Repsol-YPF and Petrobras controlled over 70 percent of Bolivia's hydrocarbon production, and both firms accepted the new terms.

The remainder of this section will analyze three recent sub-national conflicts between affected communities and transnational gas companies. The gas fields are located in the eastern lowlands, mainly in the heavily indigenous Gran Chaco province in the southeastern department of Tarija.¹⁴⁴ As context, as powerful as Bolivia's gas wars were, they involved very little mobilizing in the east.¹⁴⁵ One explanation for limited protest in the east is that the actors that mobilized in the gas wars in the highlands focused on broad questions of national development and distribution of wealth from the gas reserves rather than on the environmental or social impacts of the gas industry for residents in gas-rich regions.¹⁴⁶ Scholars have also explained the lack of unity between highland and lowland indigenous groups in Bolivia during the gas wars by focusing on the actions of wealthy (non-indigenous) elites in the east. These elites have opposed the nationalization project of the gas wars, instead favoring regional autonomy that would facilitate the direct capture of gas rents for the eastern regions. Scholars argue that these elites have mobilized non-elites, including indigenous groups, to support their regional autonomy efforts.¹⁴⁷

¹⁴¹ This paragraph is based on the following source, in addition to other referenced sources: Nancy G. Postero, *Now We Are Citizens: Indigenous Politics in Postmulticultural Bolivia* (Stanford: Stanford University Press, 2007), 213–214.

¹⁴² The 2005 protests did not stem solely from complaints over gas policy. For instance, some groups mobilized to oppose the privatization of water services in El Alto and La Paz, whereas others protested in defense of coca production (Perreault 2008, 15).

¹⁴³ This paragraph summarizes analysis in Perreault, "Natural Gas, Indigenous Mobilization," 16–18.

¹⁴⁴ The Morales government has plans to extend exploitation well beyond these regions, for instance by encouraging expansion of hydrocarbon activity into the departments of La Paz, Beni, Pando, and the highland zones of Potosí and Oruro, where hydrocarbon extraction has not historically been carried out (Bebbington, A., D. H. Bebbington, and Bury 2010, 311).

¹⁴⁵ Postero, *Now We Are Citizens*, 211.

¹⁴⁶ Perreault, "From the Guerra del Agua to the Guerra del Gas."

¹⁴⁷ Kent Eaton, "Backlash in Bolivia: Regional Autonomy as a Reaction against Indigenous Mobilization," *Politics and Society* 35, no. 1 (March 2007): 71–102; Perreault, "Natural Gas, Indigenous Mobilization," 4–5.

Though the eastern "Media Luna" autonomy movement has been powerful and potentially part of why lowland indigenous groups were not major players in the gas wars, within Bolivia's east the elite leaders of the regional

Keeping in mind the limitations to sub-national conflict in Bolivia's gas regions, the following analysis will focus on three cases of conflict and on the role of the state in conflict and negotiation. The first two cases focus on conflicts in Chaco, the main gas region in Bolivia, located in the Tarija department. These conflicts involve two of Tarija's indigenous groups that have been the most mobilized since the 1990s: the Guaraní and the Weenhayek.¹⁴⁸ Furthermore, the Guaraní and Weenhayek cases specifically involve two of Tarija's three "originary communal lands" (TCOs), or lands that, by law, are owned communally: the Guaraní Itika Guasu TCO and the Weenhayek TCO.¹⁴⁹ The third case is that of the Rio San Miguel-Cuiabá pipeline in the Santa Cruz department. The pipeline crosses the Chiquitano forest, "the world's largest remaining tract of tall, dry tropical forest."¹⁵⁰ The three cases demonstrate the overall trend observed in this report: significant direct negotiation between companies and societal groups, both at the local and supra-communal levels.

*Weenhayek TCO*¹⁵¹

The case of the negotiations between the Weenhayek lowland indigenous group and the hydrocarbon transport firms Transierra and Transredes shows clearly how private firms in Bolivia have negotiated directly with the supra-communal Weenhayek TCO. The TCO as an organization is appropriately considered a supra-communal actor, in that it encompasses many communities beyond the immediate zones of gas extraction and transport. Approximately 3,500 people, in twenty-two communities, constitute the TCO Weenhayek, and gas exploration takes place in only one part of the area covered by the TCO.

Initially, exploration in the area of the Weenhayek took place with little conflict in a situation in which communities were not effectively organized. In the 1980s the U.S.-Bolivian firm Tesoro Bolivia Petroleum Company conducted seismic testing in and near several communities. Company representatives did not negotiate with communities prior to this work and halted exploration amid low oil and gas prices. Exploration—followed by the development of wells—picked up again a decade later when British Gas (BG Bolivia) bought Tesoro Bolivia. At that point, the Weenhayek, now organized, presented resistance to company operations. In the early 2000s, the transport firms Transierra and Transredes negotiated with the Weenhayek in order to construct pipelines. Specifically, the companies dealt with the

movement by no means have complete control over the indigenous groups or their actions. In fact, there is evidence that within the east actors hold different identities. For instance, rural residents of the department of Tarija supported both Morales, including his gas nationalization project, as well as increased autonomy of the east (Bebbington, D. H. and A. Bebbington, "Anatomy of a Regional Conflict," 150.)

¹⁴⁸ Denise H. Bebbington and Anthony Bebbington, "Anatomy of a Regional Conflict: Tarija and Resource Grievances in Morales's Bolivia," *Latin American Perspectives* 37 (July 2010): 143–144.
Tarija's other most visibly mobilized indigenous group is the Tapiete (Ibid.)

¹⁴⁹ Bebbington, D. H. and A. Bebbington, "Extraction, Territory, and Inequalities," 271.

The third TCO in Tarija is the Guaraní Yaku Igua TCO. (Ibid.) TCOs are codified within the Law for the National Institute of Agrarian Reform (Ley INRA). The Ley INRA was passed in the mid-1990s in response to lowland indigenous mobilizing for land (Bebbington, D. H. and A. Bebbington, "Anatomy of a Regional Conflict," 271).

¹⁵⁰ Hindery, "World Bank/IMF-Funded Economic Restructuring in Bolivia," 284.

¹⁵¹ This case drawn from Bebbington, D. H. and A. Bebbington, "Extraction, Territory, and Inequalities," 271–275.

directorate of the TCO, Organization of the Weenhayek Captaincy (ORCAWETA).¹⁵² As the result of these negotiations, BG Bolivia ultimately funded an “indigenous development plan.” The plan, controlled by BG Bolivia, distributed in-kind donations generally to the communities affected most severely by the exploitation and transport activities.

Guaraní TCO Itika Guasu

Another conflict over gas in the Gran Chaco involved the Guaraní TCO Itika Guasu and the Campo Margarita, Bolivia’s largest gas field, which is located within the boundaries of the TCO.¹⁵³ In this case we observe significant company negotiations with the supra-communal TCO, in addition to central government action. Ultimately, direct company-TCO negotiations, in addition to state actions to satisfy opponents’ demands, failed to establish calm in the zone.

Gas operations in the Margarita field are carried out by a consortium of Repsol YPF, BG Group, and Pan American Energy.¹⁵⁴ Operations have caused problems for the Guaraní population, including gas flares, odor, headaches, illnesses, and poor health of crops and animals.¹⁵⁵ The private companies operating in the Margarita gas field have sought to smooth relations with the most immediate Guaraní communities through the provision of gifts to the communities, including health posts, houses, blankets, and construction materials.¹⁵⁶ These direct relations with individual communities failed to quell complaints, and in 2004 there emerged greater mobilization, leading Repsol YPF to negotiate with the supra-communal TCO.¹⁵⁷

Nonetheless, company-TCO negotiations also proved insufficient to mollify opposition to gas production. In response to the adverse environmental, social, and health effects of the operations, the Guaraní protested. A major incident was the May 2004 mobilization against Repsol YPF and Maxus, in which the Guaraní demanded recognition of their territorial rights and nationalization of Bolivian hydrocarbons. In response to the five-day protest that blocked the transport of supplies to company workers, the state entered onto the scene: the central government promised to reserve 2 percent of state gas rents for Guaraní development projects.¹⁵⁸

In an effort to obtain more development investment for the Guaraní, there were more protests in August 2006, focused on a company facility located in the Santa Cruz department. This time, protests involved more participants, at a more centralized level in terms of Guaraní organization: 300 members of

¹⁵² In Spanish ORCAWETA stands for Organización de la Capitanía Weenhayek.

¹⁵³ Perreault, “Natural Gas, Indigenous Mobilization,” 11.

¹⁵⁴ Ibid.

¹⁵⁵ Ibid., 12.

¹⁵⁶ Ibid., 11.

¹⁵⁷ The TCO itself formed in the context of ongoing relations between communities and private companies. Prior to the TCO formation, Repsol YPF had signed an agreement with the Itika Guasu Guaraní. Shortly after the agreement, in 2004 the Guaraní Peoples’ Assembly (APG), the central organizing authority of Guaraní communities that was formed in 1987 (Ibid., 10), established the Itika Guasu TCO, in which thirty-four Ava Guaraní communities are located (Ibid., 9).

¹⁵⁸ Ibid., 12.

the Guaraní People's Assembly (APG) “threatened to take control of the pipeline and shut it down.”¹⁵⁹ Protesters demanded that to compensate for adverse effects of the pipeline, that Transierra—jointly operated by Petrobras, Repsol YPF, and the French company Total—invest more in the Guaraní communities and allow the Guaraní to control the fund.¹⁶⁰ As of 2008, relations between the TCO and Repsol YPF were strained.¹⁶¹

Chiquitano/Enron

The Rio San Miguel-Cuiabá pipeline passes through the Chiquitano forest in Bolivia's eastern department of Santa Cruz into Cuiabá, Brazil. The pipeline—controlled by Enron and Shell in conjunction with the Bolivian consortia of Transporte de Hidrocarburos S.A. (Transredes), GasOriente Boliviano, and GasTransboliviano—feeds into the larger Bolivia-Brazil pipeline that has been in operation since 1999.¹⁶² In the case of the Chiquitano/Enron conflict, the private sector engaged in centralized, supra-communal negotiations.

Initially, Enron focused on appeasing residents in the immediate zone of the pipeline. In order to obtain local permission to construct the Cuiabá pipeline in 1997, Enron contacted local community members directly, promising to obtain land ownership titles for the residents in exchange for permission.¹⁶³ Later, in May 1999, Enron negotiated a single, supra-communal agreement with leaders of the thirty-six indigenous communities in the areas surrounding the pipeline, promising to create a \$1.9 million “indigenous development plan” and, once again, to fund the process of obtaining land titles, which had not yet been produced.¹⁶⁴

In September 2000 the pipeline was nearly completed, but only one-third of the funds had arrived, and still no progress had been made in acquiring the land titles.¹⁶⁵ In this context, approximately one hundred Chiquitanos—with support of the president of the Chiquitano Indigenous Organization (OICH), which represents over 450 communities¹⁶⁶—protested to block the pipeline work camp. They

¹⁵⁹ Ibid.

¹⁶⁰ Ibid., 13.

¹⁶¹ For instance, the TCO denounced the company for “violating [the Guaraní's] right to prior consultation” (Ibid., 13).

¹⁶² Hindery, “World Bank/IMF-Funded Economic Restructuring in Bolivia,” 284-285.

¹⁶³ Longman, “Enron's Pipe Scheme.”

¹⁶⁴ Ibid.

Longman (2002) describes agreements with thirty-six Chiquitano communities. In contrast, Hindery (2004, 287) describes negotiations with thirty-four Chiquitano and Ayoreo communities.

¹⁶⁵ In addition to the company's failure to fully fund the development program or obtain the land titles, the other negative outcomes for residents included adverse social and environmental effects of the pipeline, such as soil erosion, the degradation of wetlands, and social impacts such as increased incidence of alcoholism (Hindery 2004, 298).

¹⁶⁶ Duncan Green, *From Poverty to Power: How Active Citizens and Effective States Can Change the World* (Oxford: Oxfam International, 2008), 31.

The OICH was formed in the 1980s. (Ibid.)

shut down the project for sixteen days. Further negotiations caused Enron to fully fund the development plan, but still the land titles issue was unresolved.¹⁶⁷

Bolivia Mining Conflict

Following an overview of the mining sector in Bolivia, this section analyzes conflict and negotiation in two cases involving major private investment in two of Bolivia's most mined departments, Oruro and Potosí.¹⁶⁸ Overall, the analysis demonstrates considerable willingness on the part of mining companies to engage in direct negotiations with individuals and communities in the immediate vicinity of mining projects, but increased reluctance to engage in negotiations with critical supra-communal societal actors. Rather, where local negotiations break down, it tends to be the state that steps in to seek a resolution to the conflict.

Mining is critical to Bolivia's economy. In 2008, the sector made up almost 9 percent of Bolivia's GDP, and the real value of mining production increased by 56 percent between 2007 and 2008.¹⁶⁹ Much of the sector is made up of "small-scale, cooperative, and artisanal" (SMACA) miners, in addition to large, transnational mining companies; of Bolivia's 57,400 workers in mining, about 46,700 are SMACA miners.¹⁷⁰

The public-private balance of Bolivia's mining sector has vacillated significantly over the past several decades. The Nationalist Revolutionary Movement (MNR) government that took power through the 1952 Revolution removed the mines from the control of a few elite families (the "tin barons") and placed them under the control of the new state-owned Bolivian Mining Corporation (COMIBOL).¹⁷¹ The regime's 1965 mining code barred foreign companies from mining operations, and its tax system channeled all mining income to the central state.¹⁷²

¹⁶⁷ Longman, "Enron's Pipe Scheme."

Subsequently, without consulting local indigenous organizations, Enron and Shell, along with four environmental NGOs, created a multimillion dollar fund, the Chiquitano Forest Conservation Plan (PCBC), after being pressured by international environmental NGOs (Postero 2007, 202, OICH-CEADES 2002, 2). Chiquitano communities and civic committees denounced the top-down approach taken by the companies for conflicting with the companies' agreed procedures according to the indigenous development plan. The complaints were ignored by state authorities and by companies (OICH-CEADES 2002, 2).

¹⁶⁸ Traditionally mining has also taken place in the department of La Paz.

¹⁶⁹ Steven T. Anderson, "The Mineral Industry of Bolivia," In *2008 Minerals Yearbook [Advance Release]*, U.S. Department of the Interior, U.S. Geological Survey, 2010, 3.1.

<http://minerals.usgs.gov/minerals/pubs/country/2008/myb3-2008-bl.pdf> (accessed November 11, 2010).

The main minerals in terms of value include zinc, followed by silver and gold. (Ibid.)

¹⁷⁰ Ibid.

¹⁷¹ This description of Bolivia's mining sector from 1952 through the 1990s is drawn from Alejandra Roncallo, "Bolivia's Amayapampa and Capasirca Mines: Social Resistance and State Repression," In *Community Rights and Corporate Responsibility: Canadian Mining and Oil Companies in Latin America*, ed. L. North, T. Clark, and V. Patroni (Toronto: Between the Lines, 2006), 65-69.

¹⁷² Of particular salience to future political dynamics in Bolivia, specifically the gas wars and the Media Luna regional autonomy movement discussed above, is that mining income was increasingly invested in the Amazon to subsidize the oil industry, among other sectors there (Ibid., 66).

Following the 1982 debt crisis in Latin America, the Bolivian government began to embrace liberalizing economic reforms. The crash in tin prices in the 1980s proved important: the Bolivian state-run development plan had the closure of the COMIBOL mines as its “main objective.”¹⁷³ As a result, 30,000 miners were laid off between 1986 and 1992.¹⁷⁴ COMIBOL transformed into the state organ in charge of joint ventures between transnational mining corporations and the Bolivian private sector.¹⁷⁵ The new 1997 mining code encouraged transnational investment, as private investors were able to obtain concessions. According to a new tax code, companies paid taxes based on profits and value of production, which meant that private investors would be taxed less on mineral production during drops in international mineral prices.¹⁷⁶ Whereas private foreign investment in Bolivia’s hydrocarbon sector skyrocketed following liberal reforms, the mining sector has seen a much smaller increase due to the large SMACA presence.¹⁷⁷

Under President Morales, legal structures have turned the tide again, increasing the national take of mining revenue. A 2007 revision to the 1997 mining code increased taxes and royalties from companies and restructured how central government proceeds were to be distributed among federal, departmental, and local entities. With the change, total taxes and royalties to Bolivia from the private sector increased from \$70 million in 2007 to approximately \$95 million in 2008.¹⁷⁸ In contrast to the distribution of hydrocarbon royalties, which historically have favored Bolivia’s hydrocarbon-rich regions, Bolivian mining royalties are directed solely to the central government.¹⁷⁹

The cases analyzed here are those involving “medium-scale” foreign companies, which are the largest projects in Bolivia. The two operations include the Kori Kollo mine in Oruro, owned by Inti Raymi, and the San Cristobal mine in Potosí. The cases demonstrate the trend of giving more to directly affected areas, both through direct deals with communities and in terms of how the resources of company-sponsored foundations have been oriented. These actions have successfully achieved a stability that has made mining possible. Mining companies did not consider negotiations with supra-communal actors a necessity in these cases.

Kori Kollo

The Kori Kollo gold mine in Oruro, which closed in 2004, was owned by Empresa Mineral Inti Raymi, S.A. (under Newmont), one of the largest mining companies operating in Bolivia.¹⁸⁰ The mining operations most directly affected the cantons of Chuquiña (in the Toledo municipality in the province of

¹⁷³ Ibid., 68.

¹⁷⁴ Ibid.

¹⁷⁵ Ibid.

¹⁷⁶ Ibid., 69.

¹⁷⁷ Bebbington, A., D. H. Bebbington, and Bury, “Federating and Defending,” 324–325.

¹⁷⁸ Anderson, “The Mineral Industry of Bolivia,” 3.2.

¹⁷⁹ Anthony J. Bebbington, Denise H. Bebbington, and Leonith H. Valencia, “Extraction, inequalities and territories in Bolivia,” Paper presented at the 2009 International Congress of the Latin American Studies Association, Rio de Janeiro, June 11–14, 2009, 21.

¹⁸⁰ Mining operations at Kori Kollo stopped in October 2003 See *KeystoneMiningPost*, “Kori Kollo Mine,” Web page. <http://keystoneminingpost.com/Mining/Geology/South/KoriKollo.aspx> (accessed December 27, 2010).

Saucari) and La Joya (in the Caracollo municipality in the province of Cercado), in Oruro.¹⁸¹ Conflicts between communities and the company have been described as “on-going tensions” and “low-level conflicts.”¹⁸² To ease tensions, the company created the Inti Raymi Foundation in 1991.¹⁸³ Experts on resource conflict in the Andes recognize the company’s efforts as satisfying local demands, at least to the point of preempting major episodes of protest.¹⁸⁴ Only when the company announced plans to shut down the mine did community members in the surrounding areas mobilize to demand compensation for environmental degradation and displacement.¹⁸⁵ These actions triggered the central government to call for an environmental evaluation of Inti Raymi’s operations, which was the first such audit of the company’s environmental impact.¹⁸⁶

Inti Raymi sought local approval of its operations using a two-pronged approach: buying land from local owners and offering material assistance to communities. Following the general pattern of mining company practices in Peru, Inti Raymi interacted directly with landowners and communities at the mining site. The company purchased lands directly from community residents in La Joya and Chuquiña, buying property in “phases according to the needs of the operation.”¹⁸⁷ In the case of Chuquiña, the company relocated the town entirely, after negotiating the move with residents.¹⁸⁸ In addition to property purchases, the company also interacted directly with local communities by providing different types of material assistance to La Joya and Chuquiña during the years of operation.¹⁸⁹

Beyond the most local level, overall Inti Raymi seems to have operated according to a technocratic logic rather than negotiating with supra-communal societal actors. The Inti Raymi Foundation built social infrastructure such as schools and housing and provided training and loans.¹⁹⁰ The “action radius” of the foundation encompassed 25 communities.¹⁹¹ However, the foundation was often unresponsive to community demands and lacked a “clearly defined methodology for approving

¹⁸¹ Bebbington, A. J., D. H. Bebbington, and Valencia, “Extraction, inequalities and territories in Bolivia.”

¹⁸² Ibid., 19.

¹⁸³ Fernando Loayza, et al., “Bolivia: Turning Gold into Human Capital,” In *Large Mines and the Community: Socioeconomic and Environmental Effects in Latin America, Canada, and Spain*, ed. Gary McMahon and Felix Remy (Washington, D.C.: World Bank, 2001), 61.

¹⁸⁴ Bebbington, A. J., D. H. Bebbington, and Valencia, “Extraction, inequalities and territories in Bolivia.”

¹⁸⁵ Ibid., 19.

¹⁸⁶ Ibid., 19.

¹⁸⁷ Loayza, et al., “Bolivia: Turning Gold into Human Capital,” 58.

¹⁸⁸ Ibid., 59.

Community concerns over the relocation and demands for further compensation led to mobilization in 1992—in which the community relied on support from the Oruro Human Rights Assembly—and in 1999 (Ibid., 59–60). A World Bank account of the events includes no mention of central government involvement in the issue. (Ibid.)

¹⁸⁹ Ibid., 61–62; Bebbington, A. J., D. H. Bebbington, and Valencia, “Extraction, inequalities and territories in Bolivia,” 20.

The company also engaged with surrounding communities to some degree. By the early 1990s, the company had donated sporting equipment and had constructed local roads in Oruro (Loayza et al. 2001, 60).

¹⁹⁰ Bebbington, A. J., D. H. Bebbington, and Valencia, “Extraction, inequalities and territories in Bolivia,” 19.

¹⁹¹ Loayza, et al., “Bolivia: Turning Gold into Human Capital,” 55.

projects.”¹⁹² Nonetheless, the foundation’s investments were sufficient to postpone mobilization against the mine until its actual closure.¹⁹³

The major conflict with the company over environmental issues began in 2002. Once again, the company sought to interact directly with local communities, without engaging supra-communal actors. Specifically, Inti Raymi aimed to obtain the approval of community leaders in the immediate zone of the mine, disregarding the interests of communities farther from the site. Company officials even downplayed the importance of—and sought to discredit—the main regional organization in Oruro, the “Foro Ambiental” (Environmental Forum, active since 1991), amid the environmental conflicts that began in 2002.¹⁹⁴

A critical event spurring the 2002 conflict was a supreme decree declared that same year that allowed affected communities to participate in audits of companies’ environmental practices.¹⁹⁵ Communal authorities begin receiving high numbers of complaints about water and land pollution. When community leaders went to the company officials to report the complaints, the officials sought to buy off the leaders with offers of gifts to the communities.¹⁹⁶ The leaders then sought support from the Foro Ambiental.¹⁹⁷ Subsequent marches to La Paz and hunger strikes, organized by elected delegates from four provinces, successfully gained the attention of some congress people, and in 2003 the petition to conduct an environmental study of the mining zone was accepted.¹⁹⁸

During the remainder of the conflict, to the extent that there was negotiation, it involved the state and supra-communal societal actors without a role for the company. The Ministry of Sustainable Development’s first plan for the environmental study was to evaluate the environmental damage only in the communities directly in the mining zone, Chuquiña and La Joya, using a company that had ties to Newmont, Inti Raymi’s parent company. The plan triggered a division among the organizations that had

¹⁹² (Loayza et al. 2001, 62). Though the foundation has been described as “participatory” by the World Bank, the same source pointed out that residents did not understand the foundation’s focus on “community management capacity” or its use of funds (Loayza et al. 2001, 61). Further evidence that the foundation did not engage with supra-communal actors representing communities in the broader area and instead operated according to a top-down logic was that conflict surrounding the mine’s closure was focused on the distribution of (1) benefits during exploitation and (2) reparations following the closure due to environmental effects. Specifically, there was resentment in surrounding communities that communities closest to the mine site were favored during exploitation, and therefore they should not receive more compensation following the environmental audit (Bebbington, A. J., D. H. Bebbington, and Valencia Bebbington 2009, 20).

¹⁹³ Bebbington, A. J., D. H. Bebbington, and Valencia, “Extraction, inequalities and territories in Bolivia,” 19, 22.

¹⁹⁴ Damonte Valencia, “Minería y Política: La Recreación de Luchas Campesinas en Dos Comunidades Andinas,” In *Minería, Movimientos Sociales y Respuestas Campesinas: Una Ecología Política de Transformaciones Territoriales*, ed. Anthony Bebbington (Lima: IEP [Instituto de Estudios Peruanos] and CEPES [Centro Peruano de Estudios Sociales], 2007), 155–157.

The Foro Ambiental formed in 1991 from many regional, civil institutions. The foro was important in identifying and protesting against an oil spill in the Desaguadero River in 2000. Following the 2000 events, Inti Raymi sought to avoid dealing with the foro altogether. (Ibid.)

¹⁹⁵ Ibid., 148.

¹⁹⁶ Ibid.

¹⁹⁷ Ibid., 149.

¹⁹⁸ Ibid., 149–150.

mobilized in favor of the environmental study. One group, headed by a community leader from the province of Cercado, refused to negotiate and instead conducted substantial protest activities that included, for instance, blocking roads. This protest temporarily halted the planning process, but ultimately a new plan was produced for carrying out the environmental damage evaluation thanks to negotiation between the ministry and a second group, headed by a leader in the Chuquiña canton.¹⁹⁹ The environmental audit of Inti Raymi's operations that began in 2008 ultimately acknowledged the complaints regarding the adverse environmental effects in areas beyond the mine site itself.²⁰⁰

Conflict over compensation from Inti Raymi continued in 2009. In September of that year, peasants from Villa Chuquiña took over the gold mine, demanding a share of the revenues from Inti Raymi as compensation for environmental damage and the use of their ancestral lands. They also asked for long-term employment for people living in the area (at that time, though the mine had closed, the Inti Raymi production plant was still in operation).²⁰¹

*San Cristóbal*²⁰²

The San Cristobal mine in northern Potosí is one of Bolivia's largest mines and is the world's sixth largest zinc and third largest silver mine. The mine, which started operating in August 2007, produces approximately 1,300 tons of zinc-silver ore and 300 tons of lead-silver ore daily.²⁰³ This case is one of very low conflict. Direct company-community negotiations occurred between the town of Old San Cristóbal in northern Potosí and the U.S. mining corporation Apex Silver Mines. The company built the town of New San Cristóbal and resettled the people from the old town in 1999, through direct negotiations with the community. The analysis focuses on these peaceful 1998 negotiations and relocation.

In 1998 Apex discovered silver and zinc deposits in the town, which was on the site of the minerals and between two silver mountains (the Jayulla and the Tesorera).²⁰⁴ It was estimated that the reserves in the area, including the two mountains, amounted to 470 million ounces of silver, 8.8 billion pounds of zinc, and 3.1 billion pounds of lead, making "San Cristóbal one of the world's largest silver and zinc deposits, and the largest of the open silver pits."²⁰⁵ Apex bought the mining concession and created a Bolivian subsidiary, Andean Silver Corporation, later changing its name to Minera San Cristóbal S.A.²⁰⁶ The national government supported the Apex project, which had the promise of greatly increasing Bolivia's mining exports and income: "The estimated total revenue from exports from San

¹⁹⁹ Ibid., 151–155.

²⁰⁰ Bebbington, A. J., D. H. Bebbington, and Valencia, "Extraction, inequalities and territories in Bolivia," 20.

²⁰¹ EFE World News Service, "Peasants Take over Kori Kollo Mine, Bolivia," *Mines and Communities*, September 29, 2009 <http://www.minesandcommunities.org/article.php?a=9505> (accessed December 27, 2010).

²⁰² The details of the San Cristóbal case are drawn from Alejandra Roncallo, "A New 'El Dorado'? Transnational Mining, Dispossession and Resistance in the Americas: The Case of Bolivia," PhD diss., York University, 2006.

²⁰³ Eduardo Garcia and Diego Ore, "Protest against Sumitomo Bolivia Mine Worsening," *Reuters*, April 16, 2010, <http://www.alertnet.org/thenews/newsdesk/N16152918.htm> (accessed November 11, 2010).

²⁰⁴ Roncallo, "A New 'El Dorado'?" 209.

²⁰⁵ Ibid., 215.

²⁰⁶ Ibid., 216.

Cristóbal was to be US\$200 million per year, adding up to a total of US\$ 3.7 billion over a period of 18 years. This represented 40 percent of the mining exports in 1999 and would increase the exports of silver by 500 percent, lead by 300 percent and zinc by 100 percent.”²⁰⁷

The old town of San Cristóbal consisted of about 150 families and 600 people.²⁰⁸ Negotiations took place directly between the community and Apex, through its subsidiary Andean Silver Corporation, without government participation.²⁰⁹ Community members stated a number of reasons for negotiating the move, including the small size of the original town, the lack of jobs in the region, and an incentive to obtain a certain degree of compensation from the company—including the opportunity for alternative economic development opportunities that might come with the local development foundation that the company promised to establish. Furthermore, given the company’s power and the community members’ lack of titles to the land in the old town, there was concern that the company would probably move forward with production regardless of the town’s position.²¹⁰

In June 1998 the community and the company signed the agreement for the relocation in return for the foundation services and the new town. The community moved to the new town after construction was completed one year later.²¹¹ The company also bought agricultural and grazing land on the mountain hillsides around the old town after a second round of negotiations following the relocation.²¹² As in the case of Inti Raymi, foundation projects were implemented in a top-down manner.²¹³

Though Apex was able to gain control of the San Cristóbal mine relatively easily by buying off communities in the late 1990s, since operations began in 2007 there have been significant protests demanding compensation that have interrupted production. For instance, a major protest in April 2010 was staged against Sumitomo, the Japanese firm that became the sole owner of San Cristobal in 2009 after Apex filed for bankruptcy.²¹⁴ Protesters gained control of at least eighty containers filled with ore, several of which they overturned, and blocked a main railway line that carried the ore for export through Chile. Hundreds of protesters mobilized for ten days approximately sixty miles from the mine, demanding compensation for the damage caused by the mining operations, as well as development assistance, including potable water and electricity for their communities.²¹⁵ Based on existing analyses of the case, it

²⁰⁷ Ibid., 217–218.

²⁰⁸ Ibid., 222.

²⁰⁹ Ibid., 233.

²¹⁰ Ibid., 234.

²¹¹ Ibid., 236–238. The new town was not acceptable to many; for instance, it was on flat terrain, so it was windy and cold. The material of the houses also made the homes cold, and the materials were different from what they were accustomed to. The water was not as drinkable, electricity was limited to a few hours as it was expensive, and the health center didn’t have equipment, medicine, or doctors (Ibid., 240).

²¹² Ibid., 244–245.

²¹³ Ibid., 246–247.

²¹⁴ Jae Hur and Ichiro Suzuki, “Sumitomo Says Resumes Zinc Mine Operations in Bolivia,” *Bloomberg*, August 16, 2010, <http://www.minesandcommunities.org/article.php?a=10328> (accessed December 27, 2010).

²¹⁵ Carlos Quiroga, “Update 2: Bolivia Protest Hinders San Cristobal Mine Output,” *Reuters*, August 11, 2010, <http://www.reuters.com/article/idUSN1121254020100811> (accessed December 27, 2010); Reuters, “Bolivian Protesters Suspend Sumitomo Mine Blockade,” April 23, 2010, <http://www.reuters.com/article/idUSTRE63M30J20100423> (accessed December 27, 2010); Garcia and Ore, “Protest against Sumitomo Bolivia Mine.”

seems that the company refused to negotiate directly with the protesters. Instead, the state took action. The protests concluded only after the Potosí governor met with residents, who agreed to set a future deadline for the company to provide compensation for the adverse effects of the mining operations.²¹⁶ According to a Sumitomo press release, the company had requested assistance from the central government and from the Potosi regional government.²¹⁷

In sum, in the case of Bolivia, while mining companies have been eager to negotiate directly with communities in the immediate vicinity of the mines, they have not reached out to the supra-communal level. Rather, to the extent that companies address issues in the broader zones in which the mines are located, they have done so in a non-participatory, technocratic way, through the foundation model in particular. Furthermore, where supra-communal action has been prominent—e.g., in the case of Inti Raymi and in recent years in the San Cristobal mines—it has been the state that has stepped in to seek resolution to the conflict.

VI. ECUADOR

Conflict in Ecuador over the extractive industries has been dramatic over the past two decades, particularly surrounding hydrocarbons. This analysis of Ecuador illustrates the overall pattern observed in this study: in the hydrocarbon case, considerable direct conflict and negotiation between private companies and social actors and in the mining sector, more limited company-community contact, whereby companies have sought to gain support of the most local communities in the area of the mine without engaging directly broader, supra-communal societal actors. However, different from the Bolivian and Peruvian cases, the secondary literature suggests that when supra-communal mobilization against mining companies has interfered with production, Ecuadorian state intervention is not necessarily in support of mining. The analysis below suggests that this lack of state pressure could be due to the relatively insignificant place of mining in Ecuador's economy at the time of the conflict.

Ecuadorian Hydrocarbons Conflict

In 1967 a national contract between the Ecuadorian state and a Texaco Gulf consortium resulted in the discovery of oil in northeastern Ecuador. The military regime (1972–79) spurred development in Ecuador's Amazon by working in partnership with Texaco and through colonization and agrarian reform laws passed in 1964, 1973, and 1977.²¹⁸ Northeastern Ecuador saw the construction of refineries in the lowlands, the Sistema de Oleoducto Transecuatoriano (SOTE) pipeline for transporting light crude, and

²¹⁶ Reuters, "Bolivian Protesters Suspend Sumitomo Mine Blockade."

²¹⁷ Sumitomo Corporation, "Effect of Protests in Bolivia on the San Cristobal Mine," Press release, April 23, 2010 http://www.sumitomocorp.co.jp/english/news/2010/20100423_042721.html (accessed December 27, 2010).

²¹⁸ Yashar, *Contesting Citizenship in Latin America*, 113–115.

extensive secondary pipelines, roads, and other infrastructure in the region.²¹⁹ In this context, government colonization and land reform projects multiplied the total number of families in the Amazon by over ninety-one times between 1964 and 1985.²²⁰ Since then, indigenous groups and colonists have been central in protests against oil policy and companies in Ecuador.

The major cases of conflict over oil in Ecuador have been between communities—especially indigenous groups but also colonists—and private companies. The private sector has played an important role in oil production in Ecuador since 1967,²²¹ though government policy has shifted across time in terms of how favorable it has been to private investment. The oil sector was gradually nationalized under military rule (1972–1979) when the state oil corporation, Corporación Estatal Petrolera Ecuatoriana (CEPE, now Petroecuador), renegotiated oil concessions, driving most companies to withdraw rather than accept the relatively unfavorable terms.²²²

Private actors gained a major role in the oil industry again in the 1990s. Facing low oil prices, Ecuador under President Durán Ballén (1992–97) increased production and withdrew from OPEC.²²³ A 1993 hydrocarbons law encouraged private investment in the sector by allowing private companies to operate in additional areas of the country and to enter into production-sharing contracts, according to which state oversight of company practices and investments was less than it had been under the prior model of risk-service contracts.²²⁴ More recently the government has reclaimed significant control in the hydrocarbon sector by increasing the royalty payments. Specifically, amid high oil prices and strong legislative support for increasing royalties, the state's take increased to 60 percent in 2006, under President Alfredo Palacio (2005–06), and during the current Correa administration windfall profit taxes have risen from 50 to 99 percent.²²⁵

This section analyzes how, in this context of ongoing participation by the private sector (particularly since the 1990s), much of Ecuador's sub-national oil conflict has involved considerable

²¹⁹ Judith Kimerling, *Amazon Crude*, Natural Resources Defense Council, 1991, 43–45; Carlos Espinosa, *La Frontera Norte en Perspectiva Histórica: Entre la Simbiosis Transfronteriza, el Abandono y la Militarización*, October 2003, Quito, Ecuador; Guillaume Fontaine, *El Precio del Petróleo: Conflictos Socio-Ambientales y Gobernabilidad en la Región Amazónica* (Quito: FLACSO, Sede Ecuador, Institut Français d' Études Andines, and Ediciones Abya-Yala, 2007), 99–100; Bertha García Gallegos, "Petróleo, Estado y Proyecto Militar," *Ecuador Debate* 58 (April 2003): 111–133; Suzana Sawyer, *Crude Chronicles: Indigenous Politics, Multinational Oil, and Neoliberalism in Ecuador* (Durham, NC: Duke University Press, 2004), 13, 110–112; Yashar, *Contesting Citizenship in Latin America*, 114–116.

²²⁰ Yashar, *Contesting Citizenship in Latin America*, 113–114.

²²¹ Between the 1967 discovery of oil by the Texaco Gulf consortium and 1970, the state had granted approximately 30 concessions to different oil companies (Valdivia 2008, 460).

²²² Catherine M. Conaghan, *Restructuring Domination: Industrialists and the State in Ecuador* (Pittsburgh: University of Pittsburgh Press, 1988), 85; Anita Isaacs, *Military Rule and Transition in Ecuador, 1972–92* (Pittsburgh: University of Pittsburgh Press, 1993), 41–46.

²²³ Sawyer, *Crude Chronicles*, 95.

²²⁴ *Ibid.*, 96–97.

²²⁵ Angela Gonzales, "Social Movement Mobilization and Hydrocarbon Policy in Bolivia and Ecuador," Master's Thesis, Naval Postgraduate School, 2010, 13–14.

direct interaction between social organizations and oil companies prior to the intervention of national state actors.

Texaco Region

The northeastern region where Texaco operated receives considerable attention in secondary analysis of oil conflict in Ecuador. This focus is understandable given the long-term involvement of Texaco in northeast Ecuador and the widely publicized legal proceedings in U.S. and Ecuadorian courts against Texaco for the adverse environmental impacts of its oil operations.²²⁶

In response to Texaco's practices, the indigenous groups in the zone—the Siona-Secoya and the Cofán—organized to form two ethnic federations: Organization of the Siona-Secoya of Ecuador (OISSE) and the Indigenous Organization of the Cofán Nationality of Ecuador (OINCE). The organizations successfully fought for land titles,²²⁷ though they did not achieve subsoil rights to protect them from future oil industry practices.²²⁸

Other than these somewhat successful efforts by the two indigenous groups to obtain land rights, their strategies when facing oil companies have differed substantially. The Cofán have consistently and successfully opposed oil exploitation in their territory through direct actions that include the following:

...in 1991 the Cofán expelled from their territory in the [Cuyabeno Wildlife Reserve] a crew of trespassing oil technicians who were conducting seismic tests. In 1992 and 1993, they shut down the oil well belonging to [the state oil company] Petroecuador and destroyed a drilling platform illegally built within their territory...In 1998, with the support of environmental organizations, they occupied and closed the Dureno 1 oil well, near the town of Lago Agrio...²²⁹

Similarly, the Siona have also resisted oil production. After the OISSE split into the Secoya organization (OISE) and the Siona organization (OINSE), the Siona opposed oil activity in the Cuyabeno nature reserve, where they resided.²³⁰

²²⁶ Kimerling, "Indigenous Peoples and the Oil Frontier."

²²⁷ For instance, the agriculture ministry granted the Cofán legal title to land within the Cuyabeno Wildlife Reserve in 1992 and land near the Ecuador-Colombia border in 2002. The Secoya's territory was extended in 2001, granting the group status to manage the protected areas (Valdivia 2005, 292, 294).

²²⁸ Korovkin, "In Search of Dialogue?" 645; Fontaine, *El Precio del Petróleo*, 412.

The total population of the Cofán is 800 people and the Secoya, 400. Though the groups are small in numbers, their relations with Occidental have received considerable attention, given that their mobilizing has occurred in the Texaco block and has related to Occidental's operations, but also due to their markedly contrasting strategies vis-à-vis the oil company (Valdivia 2005, 292).

²²⁹ Gabriela Valdivia, "On Indigeneity, Change, and Representation in the Northeastern Ecuadorian Amazon," *Environment and Planning A* 37, no. 2 (2005): 292.

²³⁰ Fontaine, *El Precio del Petróleo*, 412, 419.

OISE stands for Organización Indígena de los Secoya del Ecuador, and OINSE stands for Organización Indígena de la Nacionalidad Siona del Ecuador.

In contrast to the Cofán and the Siona, through the OISE the Secoya negotiated extensively with Occidental Exploration and Production Company (OEPC), increasingly active in the zone starting in the early 1990s in Block 15, which overlaps with the Secoya territory. The history of Secoya-OEPC relations demonstrates that while the state did intervene in this case, it was not critical for achieving negotiations in the oil block. Both prior to and following state involvement there were significant direct company-society negotiations at the supra-communal level.

The first agreement, signed between OISE and OEPC in 1996, granted the company general permission to carry out activities in exchange for assistance ranging from temporary work for part of the local population to medicine for communities.²³¹ Subsequently, OEPC agreed to renegotiate the terms of the agreement, at which point there was a division within the Secoya. That split demonstrates that the OISE represents a supra-communal rather than a local actor. OISE, which was willing to continue negotiating with OEPC, involved representatives of the Secoya based apart from the directly affected communities. OISE supported the project in exchange for development assistance and employment. In contrast, the 22-family community of Siécoya, which was most directly affected by the project, refused further negotiations with the company.

Not only was OEPC willing to negotiate with the supra-communal OISE, but the company in fact sought to formalize the relationship. Both parties signed a code of conduct in 1999 to govern ongoing OEPC-OISE relations. The document “establishes OISE as the sole representative body...in all oil negotiations within Secoya territory.”²³²

State involvement in negotiations between OISE and OEPC, which occurred during 1998–2000, does not appear to have been as pivotal as direct OEPC-OISE relations. The state intervened only after direct OISE-OEPC negotiations were underway, and it appears that state intervention was not required to keep OISE at the bargaining table; it was OISE and not OEPC that requested state involvement. In response to the request, the Technical Unit for Ecological Development and Protection for the Amazon (UTEPA),²³³ under the ministry of foreign relations, served as an observer during the negotiations. Subsequently, several meetings involving the three actors resulted in OISE permitting the company to conduct topographical studies.

Given this study’s proposal that the type of state security services available to companies may influence the extent to which companies reach out to supra-communal actors, Ecuadorian military personnel did play an important role in this case.²³⁴ Military personnel served as mediators between OEPC and the Secoya. Fontaine points to a certain level of fear on the part of OISE of possible military retaliation that encouraged it to negotiate with the company.²³⁵

²³¹ This analysis of the Secoya-OEPC negotiations is drawn from Fontaine (2007, 413–419) and other cited sources.

²³² Valdivia, “On Indigeneity, Change, and Representation,” 294.

²³³ In Spanish, UTEPA stands for Unidad Técnica de Ecodesarrollo y Protección de la Amazonía.

²³⁴ Jaskoski has detailed at length the ongoing local relations between army commanders and oil companies in Ecuador: “Ecuador and Peru: Army for Rent”; Forthcoming, “Local Army Entrepreneurship in Peru and Ecuador.”

²³⁵ *El Precio del Petróleo*, 419.

Yasuní National Park (Block 16)

South of the Texaco region, oil exploration in the protected Yasuní national park (located in the province of Orellana) has also triggered significant conflict. Specifically, scholars have analyzed the interaction between the Ecuadorian Huaorani indigenous group and Conoco, and then Maxus Energy, in Block 16.

Notable conflicts in Block 16 began in 1979 with the creation of the Yasuní national park.²³⁶ The park spanned 679,000 hectares and contained the territory inhabited by the Huaorani, a hunter-gatherer indigenous group consisting of approximately 1,600 people. In 1986 the state granted concessions to Block 16 to Conoco, and starting in 1987 environmental organizations subsequently joined by human rights organizations mobilized to demand that the Yasuní park be protected from oil exploration. Amid this mobilization, the park was expanded to cover 982,000 hectares in 1992, with the provision that oil companies could not operate in 771,870 hectares of the park's total area. As these revisions were in process, in 1991 Conoco sold its rights in Block 16 to Maxus Energy, which then acquired rights to drill 120 exploration wells, with production to be concentrated in the far north and east of the park.

As environmental organizations mobilized, so did the Huaorani, who ultimately negotiated directly with Maxus and other oil companies through supra-communal relations that, more than state involvement, largely characterize the dynamic in Block 16. The Organization of the Ecuadorian Amazonian Huao (ONHAE) formed in 1990 largely in opposition to the increasing oil exploration in the oil block.²³⁷ ONHAE initially opposed oil production but changed its position in 1992, when leaders of the organization signed an agreement with Maxus.²³⁸ In exchange for access to the block—i.e., in the form of road construction and drilling—Maxus committed to projects that included the provision of medical services, construction of schools, and transportation of teachers to the communities.²³⁹

Though analysts have mentioned the presence of “government officials” during the signing of ONHAE-Maxus agreements and help from “the state” in the creation of Maxus’ development plan in the Huaorani region,²⁴⁰ analysis of oil conflict in the sector has emphasized mainly direct company-ONHAE relations. In addition to its coordination with Maxus, ONHAE has also engaged in negotiations with other companies, as well.²⁴¹

Maxus not only negotiated on an ongoing basis with the supra-communal organization of ONHAE, but it also sought to strengthen ONHAE to avoid negotiating with other, larger indigenous

²³⁶ This paragraph summarizes Fontaine (Ibid., 387).

²³⁷ Gonzales, “Hydrocarbon Policy in Bolivia and Ecuador,” 90, referencing Ziegler-Otero 2004; Korovkin 2002, 649.

In Spanish, ONHAE stands for Organización de la Nacionalidad Huao de la Amazonía Ecuatoriana.

²³⁸ Ibid., 91, referencing Ziegler-Otero 2004.

²³⁹ Ibid., referencing Ziegler-Otero 2004; Haller et al. 2007, 355)

²⁴⁰ Haller, et al., *Fossil Fuels, Oil Companies, and Indigenous Peoples*, 355.

²⁴¹ Gonzales, “Hydrocarbon Policy in Bolivia and Ecuador,” 91, referencing Ziegler-Otero 2004.

organizations, including CONFENAIE, Ecuador's Amazonian regional organization,²⁴² and the powerful Organization of Indigenous Communities of Pastaza (OPIP), a CONFENAIE subsidiary.²⁴³ In fact, OPIP leaders complained that the ONHAE-oil agreements weakened OPIP's position vis-à-vis Maxus and other oil companies operating in the region.²⁴⁴

There are important exceptions to the ONHAE-company cooperation worth noting, as the exceptions bring to the fore two important dynamics in Ecuadorian oil conflicts: (1) ongoing willingness of companies to deal directly with communities where the higher-level, supra-communal agreements do not successfully reduce conflict, and (2) the role of Ecuador's army. As one example that demonstrates local company-community contact, Maxus initiated exploration near a Huaorani community in August 1996. A member of the community blocked the project on the grounds that the Maxus employees had no proof of ONHAE permission to conduct the project. The community member was arrested and released only with ONHAE intervention, but while the individual was in custody, the community signed a direct agreement with Maxus without ONHAE involvement.²⁴⁵

Another example of the limits to ONHAE-company cooperation in supporting oil exploration and production in Block 16 is a case in the mid-1990s when the Huaorani, unhappy about the environmental effects of Maxus' activities and the company's failure to follow through with promises to construct housing, a medical center, and a school, protested, shutting down oil production. After negotiation attempts failed, the army moved into the region and remained there.²⁴⁶ As in the Texaco case, the army once again played a prominent role in protecting oil operations.

Block 10

The third and final major case of oil conflict in Ecuador is Block 10, located southwest of Blocks 15 and 16 and mainly in the province of Pastaza, which is newer to oil production relative to Sucumbíos and Orellana. In contrast to Block 16 where the indigenous Huaorani hunter-gatherers lived, Block 10 is populated mainly by the Quichua people, who are much more integrated with national society life; for instance, in addition to subsistence hunting and fishing, the Quichua also rely on commerce in cash crops.²⁴⁷

In spite of these differences, Block 10 mirrors Blocks 15 and 16 in that we observe supra-communal negotiations between the private sector and key indigenous organizations that undercut the strength of larger, more established indigenous associations in the region. Furthermore, when tensions emerged between residents in the region and the oil companies, the army increased its presence and role.

²⁴² Haller, et al., *Fossil Fuels, Oil Companies, and Indigenous Peoples*, 355–356.

²⁴³ In Spanish, OPIP stands for Organización de Pueblos Indígenas de Pastaza.

²⁴⁴ Gonzales, "Hydrocarbon Policy in Bolivia and Ecuador," 91, referencing Ziegler-Otero 2004.

²⁴⁵ Haller, et al., *Fossil Fuels, Oil Companies, and Indigenous Peoples*, 356.

²⁴⁶ Haller, et al., *Fossil Fuels, Oil Companies, and Indigenous Peoples*, 357.

Subsequently, in 1995, Maxus sold its rights to Block 16 to the Argentine company YPF, though it is unclear whether Huaorani protest was the trigger for the sale (Fontaine 2007, 388; Haller et al. 2007, 357).

²⁴⁷ Korovkin, "In Search of Dialogue?" 650–651.

Furthermore, in addition to the company's negotiation with the supra-communal organization (see DICIP, below), the company has also negotiated directly with local communities.²⁴⁸

Oil production in the Villano sector in Block 10 triggered significant conflict in particular. The oil question in Block 10 can be traced to 1988, when ARCO-Oriente in partnership with the Italian company Agip obtained rights in the block. Oil was discovered in 1992 in the Villano sector, at which point conflict emerged. Production began in 1999, in accordance with a 20-year service contract with the state oil company Petroecuador. Control of operations in the block was transferred to Agip in 2000.²⁴⁹

Throughout this period, there was considerable conflict at the sub-national and national levels surrounding oil exploration in the block. For instance, OPIP pushed for a moratorium on oil exploration in Pastaza, which succeeded in the form of the "Sarayacu Accords," signed in May 1989 by the following parties: Arco Oriente, Petroecuador, the National Hydrocarbon Control (DNH), the Ecuadorian Institute for Agrarian Reform and Colonization (IERAC), and the main indigenous groups—CONAIE, CONFENIAE, OPIP, the Federation of United Native Communities of the Ecuadorian Amazon (FCUNAE), and the Federation of Napo Indigenous Organizations (FOIN).²⁵⁰ OPIP's power vis-à-vis Arco was further strengthened following the 1992 "March for Land" (Marcha por el Territorio), which resulted in the state granting communal land to Pastaza's indigenous communities—1,115,000 hectares (without sub-soil rights). In Block 10, mostly Quichua communities benefitted, receiving 44,000 hectares.²⁵¹

Importantly, communities in the Villano sector were largely excluded from these developments due to "communication difficulties" between the communities and the powerful indigenous organizations referenced above, including OPIP.²⁵² In this context, Villano communities interacted directly with oil companies, starting with confrontation against the company Compañía General de Combustibles (CGC), which carried out exploration work in the sector.²⁵³ Out of the confrontation, a group of families in the communities of Pandanuque and Santa Cecilia formed the abovementioned Directorship of Independent Communities of Pastaza (DICIP),²⁵⁴ which negotiated with CGC for the construction of a school house.²⁵⁵

Ultimately Arco engaged in supra-communal negotiations with indigenous organizations in the Villano sector. In 1991 DICIP expanded to bring together the seventeen communities in Block 10.²⁵⁶ In

²⁴⁸ Sharman Haley, "Institutional Assets for Negotiating the Terms of Development: Indigenous Collective Action and Oil in Ecuador and Alaska," *Economic Development and Cultural Change* 53, no. 1 (October 2004): 196.

²⁴⁹ Ibid.

²⁵⁰ Fontaine, *El Precio del Petróleo*, 397–398

In Spanish DNH stands for Dirección Nacional de Hidrocarburos, IERAC stands for Instituto Ecuatoriano de Reforma Agraria y Colonización, FCUNAE stands for Federación de Comunas Unión de Nativos de Amazonía Ecuatoriana, and FOIN stands for Federación de Organizaciones Indígenas del Napo.

²⁵¹ Korovkin, "In Search of Dialogue?" 652.

²⁵² Fontaine, *El Precio del Petróleo*, 399.

²⁵³ Ibid.

²⁵⁴ In Spanish DICIP stands for Directiva de las Comunidades Independientes de Pastaza.

²⁵⁵ Ibid.

²⁵⁶ Ibid.

1993 DICIP became the Independent Association of Pastaza Communities of the Ecuadorian Amazon (ACIPAE) and then the Association for Indigenous Development of the Amazonian Region (ASODIRA) in 1994.²⁵⁷ In agreements with ASODIRA, Arco promised communities assistance that included the construction of schools, scholarships, first-aid classes, and air transportation to the capital of Pastaza.²⁵⁸ In addition to ASODIRA, the other main indigenous organization that negotiated with companies in the Villano sector was the Pastaza Association of Evangelicals (AIEPRA).²⁵⁹ OPIP opposed the DICIP/ACIPAE/ASODIRA and AIEPRA negotiations with the companies on the grounds that the agreements divided indigenous communities, thereby reducing the prospects for achieving more benefits for the eastern indigenous populations at large.²⁶⁰ Importantly, the supra-communal (and not local) nature of negotiations between Arco on the one hand, and ASODIRA and AIEPRA on the other, is indicated by the fact that there has occasionally been distance between these organizations and their member communities, particularly when ASODIRA and AIEPRA leaders have failed to distribute information to the communities.²⁶¹

In spite of the differences in strategies between Block 10 organizations when compared to OPIP and other regional indigenous organizations, between 1993 and 1998 there was some intersection between their efforts, starting when OPIP halted its negotiations with Arco and sought support from the Block 10 organizations.²⁶² OPIP, ASODIRA, and AIEPRA joined to form the Pastaza Indigenous Front (FIP).²⁶³ The most noteworthy achievement of the FIP was to negotiate with ARCO in 1994 in Texas, which resulted in the creation of an environmental technical commission to oversee oil operations in the zone.²⁶⁴

The FIP also played a role in the next phase of conflict in the Villano sector by backing communities that joined to take over the oil installations in 1998. During the actual takeover, protesters

²⁵⁷ Ibid.

In Spanish ACIPAE stands for Asociación Comunitaria Independiente de Pastaza de la Amazonía Ecuatoriana, and ASODIRA stands for Asociación de Desarrollo Indígena de la Región Amazónica.

²⁵⁸ Korovkin, "In Search of Dialogue?" 652.

²⁵⁹ In Spanish AIEPRA stands for Asociación de Indígenas Evangélicos de Pastaza.

²⁶⁰ For instance, Korovkin writes in regard to Arco-ASODIRA agreements for giving the Villano communities "as special status vis-à-vis their neighbours, creating a social and political atmosphere prone to inter-communal conflicts. The OPIP leaders argued in favour of a broader distribution of the benefits of oil development" (Korovkin 2002, 652).

²⁶¹ Fontaine (2007, 409) notes that ASODIRA and AIEPRA, as well as OPIP, have been responsible for communicating findings of the technical commission (see below) to the communities, and that this system does not guarantee that the communities are well-informed.

²⁶² Fontaine, *El Precio del Petróleo*, 401.

²⁶³ Ibid.

In Spanish FIP stands for Frente Indígena de Pastaza.

²⁶⁴ The Texas meeting involved representatives of Petroecuador, the energy and mining ministry, the FIP, CONFENAIE, and CONAIE, with observers from Oxfam (Fontaine 2007, 401). Dialogue broke down in 1994 amid massive indigenous mobilization to protest the Durán Ballén government's (1992–97) Agrarian Development Law, which would have frozen land reform. On the 1994 mobilization, see Sawyer (2004, 149–181), Van Cott (2005, 112), and Yashar (2005, 147–149). In practice, the technical commission met irregularly until 1999 and failed "to agree on and complete work on a sustainable development plan and funding formula" (Haley 2004, 197; see also Fontaine 2007, 401, 409).

kidnapped employees of Arco Oriente in Villano for nine days.²⁶⁵ The kidnapping occurred after agreements between ASODIRA and Arco in which the latter promised specific resources to Villano communities.²⁶⁶ In spite of the recent agreements, protesters in the 1998 mobilization complained of various actions—and inactions—on the part of the company, including the company’s efforts to create divisions among the Block 10 communities and its failure to follow through with promises of compensation.²⁶⁷ Amid negotiations to release the Arco employees, community members kidnapped three other employees of an Arco subcontractor hired to construct the pipeline (Conducta) over complaints that included water contamination.²⁶⁸ In this context, renewed conflict between OPIP and the more local organizations led to the collapse of the FIP in September 1998, when AIEPRA and ASODIRA pulled out of the organization. Subsequently, the Block 10 groups returned to negotiating with the oil company for development assistance.²⁶⁹

As a final note on the Block 10 case, we observe once again not only supra-communal contact between indigenous organizations in the zone of extraction but also a role for the army at the sub-national level. When OPIP mobilized in 1990 to oppose a drilling agreement between an AIEPRA-affiliated population in the Moretecocha sector and CGC, the CGC employees brought in army support.²⁷⁰

Ecuadorian Mining Conflict: Junín Deposit

As noted above, relative to oil in Ecuador, the country’s mining sector is small. Nonetheless, sub-national conflict over mining has been analyzed, with particular regard to the Junín deposit in the highland province of Cotacachi. This section summarizes the trajectory of private involvement in mining and then analyzes the Junín case.

Ecuadorian mining exploration and extraction began at the start of the 1990s, following the 1985 passage of a mining law that encouraged foreign investment in mineral exploration.²⁷¹ Mining reforms in the early 2000s further encouraged foreign investment, for instance, the abolishment of mining royalties and institution of the “single title” system, according to which one title (valid for 30 years) covered a company throughout all stages of the mining process.²⁷² More recently, the January 2009 Mining Law sought to expand gold, silver, and copper mining in the eastern Amazon and the southern highlands and to encourage new mining efforts in the northern highlands. Parts of the recent mining legislation marginalized local indigenous communities in decisions surrounding mining, for example, allowing companies to “liberally prospect” on communal and indigenous lands. The mining law triggered national

²⁶⁵ Fontaine, *El Precio del Petróleo*, 403.

²⁶⁶ For instance, according to one contract, the company promised to install a radio communication system in the seventeen communities in the sector earlier in 1998 (Fontaine 2007, 402).

²⁶⁷ Ibid., 403.

²⁶⁸ Protesters also demanded compensation from the company, including a health center and a road. (Ibid.)

²⁶⁹ Ibid., 403–404.

²⁷⁰ Ibid., 399.

²⁷¹ This paragraph is based on the following source, in addition to other referenced sources: Dosh and Kligerman, “Correa vs. Social Movements,” 22–23.

²⁷² Glen D. Kuecker, “Fighting for the Forests: Grassroots Resistance to Mining in Northern Ecuador,” *Latin American Perspectives* 34, no. 2 (March 2007): 96–97.

opposition, including the mobilization of approximately 4,000 indigenous people who blocked a major highway and tens of thousands more throughout the country.

More pertinent to this study than this episode of national opposition to the recent mining legislation is the question of sub-national conflict in actual zones of extraction. This type of conflict emerged over the Junín deposit in the 1990s between communities and Bishi Metals, and then again in the early 2000s between protesters and Ascendant Copper Corporation. Throughout both periods, the companies sought to appease protesters through direct gifts to the communities, similar to the behavior of mining companies in Peru and Bolivia.

In 1993 Bishi Metals, a subsidiary of Mitsubishi, took on exploration of the Junín deposit.²⁷³ Protest surrounding Bishi's activities triggered significant mobilization in the Intag, the humid region of Cotacachi in which the deposit is located. With critical assistance from the NGO Acción Ecológica (at the time part of Friends of the Earth International), activists in the region formed Defensa y Conservación Ecológica de Intag (DECOIN) in 1995, which served as "the eye of the storm" in the mining conflict.²⁷⁴ In addition to Acción Ecológica, other organizations from beyond the region, including urban and highland groups, lent their support to block mining in the canton.²⁷⁵ In 1997, when DECOIN found an environmental impact study conducted for the proposed copper operations that predicted significant environmental damage, activists destroyed the mine camp, causing Bishi Metals to leave the zone.²⁷⁶ The 1997 attack on the camp occurred in spite of Bishi's efforts to win over community members in the mine zone with a community relations campaign and promises of gifts.²⁷⁷ Secondary analysis does not expand upon the role of state intervention in the 1997 conflict, beyond mention of a ministerial visit to the zone and that the central government "did not automatically assume a pro-mine stance."²⁷⁸

The movement in Intag was highly organized and included local, national, and international organizations as of 2004, when the Canadian company Ascendant Copper acquired Junín.²⁷⁹ Similar to Bishi's tactics, Ascendant, eager to begin exploration activities again, sought to appease local communities at the site with a community relations program.²⁸⁰ The campaign gained the project some support, but as of 2008 popular mobilization continued with "no significant exploration underway."²⁸¹

In sum, the case of the Junín deposit follows a more general pattern in the Central Andes: mining companies have tended to appease communities directly in the zone of extraction by meeting their

²⁷³ Bebbington, A. et al., "Mining and Social Movements," 2894.

²⁷⁴ Kuecker, "Fighting for the Forests," 100.

For instance, DECOIN, along with other groups in Intag, proved critical in "getting Cotacachi to pass a municipal ordinance declaring itself an 'ecological canton' that, *inter alia*, rejected any place for mining in territorial development activities" (Bebbington et al. 2008, 2898).

²⁷⁵ Bebbington, A. et al., "Mining and Social Movements," 2898.

²⁷⁶ Ibid.; Kuecker, "Fighting for the Forests," 101.

²⁷⁷ Kuecker, "Fighting for the Forests," 101.

²⁷⁸ Bebbington, A. et al., "Mining and Social Movements," 2898.

²⁷⁹ Ibid., 2899.

²⁸⁰ Ibid.

²⁸¹ Bebbington, A. et al., "Mining and Social Movements," 2899.

immediate material demands. However, unlike mining in the other two country cases, in Ecuador it seems that, where the direct company-community relations fail to secure a stable investment environment (as with Bishi in the late 1990s), the state has not consistently taken a strong stance to control local discontent in order to support mineral exploration and extraction. The state's position could be due to the intersection of several factors that may have made it highly challenging to take an assertive position in favor of companies, namely a high level of visible mobilization in Junín that included national and international ties, coupled with a situation where the mining industry was relatively nascent.

CONCLUSION

The above analysis of seventeen cases of sub-national hydrocarbon and mining conflict in Bolivia, Ecuador, and Peru has identified cross-sector variation. In terms of hydrocarbons, conflict tends to consist of direct society-company conflict and negotiations take place at both the community and supra-communal levels, whereby companies engage in negotiations with social actors organized beyond the local community. In contrast, with few exceptions the mining companies negotiate only with the immediate, local actors in the location of the mine, refusing to engage in negotiations with supra-communal actors. When such local measures have proven insufficient to establish stability for mining operations, it has generally been the state that has entered onto the scene to seek to resolve conflict in favor of production. As outlined in Part III of this report, this difference between hydrocarbons and mining is not explained by existing studies, which vary in their focus on social pressures or state or company interests but do not predict cross-sector variation.

Future research will be necessary to explore in detail alternative hypotheses and to pursue a more thorough case selection that includes all important recent cases of resource conflict, as well as cases in which major production is underway without spurring conflict. Nonetheless, the report suggests that such future efforts might be effectively oriented toward focusing on two complementary hypotheses in particular. First, variation across the two resource sectors in terms of the structure of their operations and infrastructure may go a long way toward explaining the considerable state involvement in mining conflict as opposed to the more informal company-society dynamic when it comes to hydrocarbons. In particular, though companies may prefer not to negotiate with organized, supra-communal actors that can more effectively mobilize to make greater demands on companies than can individual communities, negotiating at that higher level may be worth it in order to more efficiently achieve peace in a sector like hydrocarbons, where industry infrastructure sprawls across great expanses of territory. In contrast, it may be that mining company officials perceive it practicable and most efficient to deal only with the most immediate communities at the much more localized mining site (in spite of the fact that supra-communal mobilization can also halt production).

Second, in addition to this possible structural explanation for cross-sector variation, the type and role of state security forces that provide protection for the companies may also prove critical in understanding state involvement in sub-national resource conflict. It may be that state security forces, in

addition to private security companies, play an important role in influencing when the central government enters into natural resource conflict and negotiation. In particular, it seems that the national armed forces frequently provide security in the hydrocarbon sector, whereas the national police operate in the vicinity of mining operations. The military may play an ongoing, powerful political role in hydrocarbon zones, by controlling and preempting protest, and also by working with private companies in “civic action” efforts to gain sympathy and support in the region for the companies and also for the armed forces. This ongoing role for the armed forces may serve to weaken demands made by supra-communal organizations, thereby facilitating ongoing relations between companies and those organizations.

Although future research is required to accurately describe and explain state intervention in sub-national conflict, this report holds important insights for U.S. security investment in the Andes, a region so prone to political instability due to resource conflict, and also one that since the late 1980s has been the United State’s central focus for antinarcotics efforts in Latin America. More precisely, the report suggests that an adaptive approach would most efficiently identify and reduce sub-national resource conflict and the political instability that it engenders: in the case of mining conflict, U.S. officials would do best to go through the national mining ministry, whereas when it comes to hydrocarbon conflict, U.S. government actors would potentially learn more and carry more influence by engaging the private sector, nongovernmental organizations, and potentially the armed forces. With regard to U.S. antinarcotics interests, the report also carries implications for how the U.S. would best monitor its investments, in this case, in order to avoid the diversion of antinarcotics assistance toward efforts to control resource conflict. Specifically, the report suggests that where sub-national mining conflict is salient, the U.S. should monitor the national police’s use of antinarcotics support, whereas in the case of oil conflict, U.S. officials should track how its investments in the national military are being used.

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